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Czechoslovak Ambassador on Ties to Bulgaria

91BA0701A Sofia DEMOKRATSIYA in Bulgarian
9 May 91 pp 1, 6

[Interview with Frantisek Barbirek, Czechoslovak ambassador to Bulgaria, by Ivelina Ignatova; place and date not given: "I Am an Optimist About the Future of Bilateral Relations"]

[Text] Engineer Frantisek Barbirek was born on 19 January 1927 in Bratislava. He is married and has three children. He graduated from the Higher Institute of Economics in Bratislava.

In the past, he was a member of the group of politician-reformers in Czechoslovakia who, before 1968, prepared for the social-political changes in their country. He has been a deputy, a minister, deputy chairman of the Slovak parliament, chairman of the Slovak Planning Commission, and a member of the Presidium of the Central Committee of the Czechoslovak Communist Party. Because of his disagreement with the intervention of the Warsaw Pact forces into Czechoslovakia in 1968, he was released from his posts and expelled from the Communist Party. He was vindicated 20 years later, after which he began work in the Czechoslovak Ministry of Foreign Affairs. He was appointed Czechoslovak ambassador extraordinary and plenipotentiary to Bulgaria in August 1990.

[Ignatova] Mr. Ambassador, on what basic principles are the new relations between Bulgaria and Czechoslovakia being built?

[Barbirek] They are set forth in the Declaration on Relations Between the Republic of Bulgaria and the Czech and Slovak Federal Republic signed by the presidents of our countries, Zh. Zhelev and V. Havel, on 4 February 1991 in Prague. This document stipulates that, henceforth, our relations will develop on the principles of equality and mutual respect, recognition of sovereignty and national independence, and a conforming with the balance of interests. At the same time, the document expresses the will of our countries to maintain measured and harmonious political relations, while, in the future, utilizing everything positive from the history of friendly relations between Bulgaria and Czechoslovakia. We will develop, for instance, an active dialogue concerning the parliaments, the presidential institutions, the governments, and the political parties and movements in the two countries. Special attention was devoted in the declaration to cooperation in the economic sphere, where a perfecting of our activity and a radical improvement in its results is envisaged. The same is important also for our contacts in the area of culture, science, and education. The endeavor until now to implement the approved declaration reminds us, however, that it is necessary to bilaterally accelerate our activity in all directions.

[Ignatova] What is the Czechoslovak understanding of the future of Central and Eastern Europe, and, in particular, how does Czechoslovakia see the role of the two new formations in this region, known as the Triad and the Pentagon.

[Barbirek] As long as a year ago, our country came out with the proposal to create a Commission for Security as a permanent consultative and, later, a coordinating, common European platform for the issues of security on the continent. A number of ideas from this proposal were in keeping with the concepts of the other countries and contributed to the creation of new institutions and mechanisms in the system for security and cooperation in Europe. In reality, the Czechoslovak policy on this issue is determined by two concepts: on the one hand, from the conviction that isolating the separate regional security systems in Central and Eastern Europe would create many problems in their construction; and, on the other, from the view that the process from Helsinki could gradually accept functions aimed at stabilizing security on the continent, as a whole, as well as in its separate regions.

In this context, the concept of the Triad (Czechoslovakia, Hungary, Poland) and the Pentagon (Czechoslovakia, Hungary, Austria, Italy, and Yugoslavia) should not be viewed, in our opinion, in the same sense as the former blocs. Czechoslovakia's participation in the Triad and the Pentagon also does not mean our isolation from our traditional partner, Bulgaria. On the contrary, I am convinced that, in the future, the two countries can rely on one another's support in displays of international activity.

[Ignatova] Does this mean that, in the event of talks to include Bulgaria in these structures, Czechoslovakia would support its candidacy?

[Barbirek] This question was posed during talks in Prague in February of this year. In the answer given by President Vaclav Havel and Deputy Premier and Minister of Foreign Affairs Jiri Dienstbier, it was stated that Czechoslovakia does not object to, and will support, Bulgaria's participation in the Pentagon when Bulgaria provides concrete proposals for participation in the various projects of this group.

During April of this year, Bulgaria presented a proposal for participation in solving the problems of transportation, telecommunications, and small and midsize enterprises. That proposal will be officially discussed at the meeting of the Pentagon representatives in Dubrovnik in August. Czechoslovakia is ready to support Bulgaria and to consult and to cooperate with it on other issues, as well. Moreover, practical activity already exists, especially in the area of foreign policy. I believe that it will also be that way in the future.

[Ignatova] Do I understand that you are an optimist concerning the prospects for Bulgarian-Czech relations?

[Barbirek] I am definitely an optimist about the future of our bilateral relations because our fundamental joint document is also optimistic—the declaration. We consider the forthcoming signing of the program for cooperation in culture, education, and science between Czechoslovakia and the Republic of Bulgaria for the period 1991 to 1992, which will occur in the middle of May, as one of the steps of the declaration's fulfillment. With this document, the opportunities will be expanded for private and professional contacts between representatives of culture and art, and for exchanges of students and trainees, and scientific workers and specialists, which we find very important at the present stage of our mutual relations.

As for cooperation in the economic sphere, the situation there is not favorable. However, I am convinced that, with mutual efforts, we will overcome the difficulties. We expect on the basis of market principles, free initiative, and mutual gain to stimulate the trade, cooperative production, building of joint enterprises, and expansion of ties in the sphere of tourism. We believe that our intentions will be realized in the spirit of the best European and worldwide traditions.

Prospects for Czechoslovak-Bulgarian Trade

91BA0790A Sofia BULGARSKI BIZNES in Bulgarian
6 May 91 pp 1, 4

[Interview with Milan Cambor, Czechoslovak trade and economic adviser in Bulgaria, by Ventsislav Vasilev in Bulgaria; date not given: "Merchants in Czechoslovakia Are Waiting for Us, but, for the Time Being, Will Be Paying in Rubles"]

[Text] Following is a comment by Milan Cambor, Czechoslovak trade and economic adviser in Bulgaria, on new developments in trade and economic relations between the two countries.

[Vasilev] Mr. Cambor, how do you assess the present condition of trade and economic relations between Bulgaria and the Czech and Slovak Federal Republic?

[Cambor] The period up until 1988, when our reciprocal trade exceeded 1 billion transferable rubles, was characterized by a trend of steadily increasing volume. After 1988, however, an opposite process of reduction began as a consequence of the intensifying crises in both the Bulgarian and the Czechoslovak economies. The two countries were forced to reduce their capital investment, which led to a significant decline in trade in machines and equipment.

After the peaceful revolution in Czechoslovakia and the fall of the Zhivkov regime in your country, the negative processes in our reciprocal trade intensified, following the drastic decline in Bulgarian industrial and agricultural output.

Currently, both countries are in a period of difficult transition to paying in convertible currency for their

mutual trade. The main difficulties are linked to the grave scarcity of available foreign currency and the painful process of restructuring the Bulgarian and Czechoslovak economies. The possibilities of enhancing trade exist, but many of the newly established companies still lack the necessary channels, information, and experience with which to compensate for the reduced opportunities of traditional importers and exporters.

[Vasilev] What are the main commodities traded between the two countries?

[Cambor] Before 1990, the share of machines and equipment in Bulgarian supplies accounted for 60 percent, 20 percent was chemicals and nonferrous metals, and the remaining 20 percent fresh fruits and vegetables.

In addition to machines and equipment, Czechoslovakia shipped to Bulgaria chemicals, glassware and porcelain, and consumer goods.

In the present transitional period, Bulgarian deliveries of machines and equipment are declining. Greater volumes are being achieved in exported electric and motor cars, electric hoists, and metallurgical goods. An increasing share of Bulgarian exports consists of fruits, vegetables, processed agricultural products, alcoholic beverages, cigarettes, and tobacco.

The bulk of Czechoslovak exports consisted of machines and equipment for industry, metal-processing machines, complete projects, power equipment, trucks that were assembled in the country, household electrical appliances, chemicals, and so forth.

[Vasilev] As we know, in the past year an imbalance appeared and Bulgaria developed a substantial negative trade balance. Could you quote more specific figures? What is your country's view on such processes?

[Cambor] By 31 December 1990, the negative balance of payment of Bulgaria from net trade activities was 178 million transferable rubles. Including Bulgaria's obligations to Czechoslovakia along the line of the International Investment Bank and CEMA and the Bulgarian debt based on 1990 contracts and previous years, the balance has now reached 344 million rubles.

We strongly insist that this debt be gradually paid up because this is the greatest obstacle to the development of normal commercial relations between our two countries. We are forced to control and limit barter deals, particularly in the case of goods in which Bulgaria has accumulated a substantial indebtedness. For example, if one of your private companies would like to supply us with calcinated soda, linking it to importing something from Czechoslovakia, I could not agree to such a deal because, according to last year's protocol, one-third of the agreed-upon amount of calcinated soda, which was greatly needed by our economy, was not delivered.

A Trade and Payment Agreement was signed on 6 December 1990, according to which Bulgaria was to export goods to Czechoslovakia through 30 November

1991, paid in transferable rubles, to cover the negative balance, on the basis of 1990 prices and conditions. The main problem is that the prices of the goods produced by your companies were raised by several hundred percent, as compared to 1990, although the agreement stipulated that exports would be based on 1990 prices and conditions. Your companies are receiving some compensation through the increased 1:3.5 transfer coefficient of the leva to the transferable ruble.

Naturally, no restrictions whatsoever apply to firms willing to trade in freely convertible currency. However, the volume of such operations remains quite small.

The unpaid balance that will remain by 30 November 1991 will be covered through investment activities in Bulgaria. In other words, it will be converted into shares in enterprises in the food, nonferrous metallurgy, and other industries, the development of which we are interested in and for which we are ready to establish ties of cooperation to Bulgarian partners.

[Vasilev] To what extent could a negative balance be covered by tourist services provided by Bulgarian firms?

[Cambor] We believe that such an opportunity should be used fully, but for organized and not private tourism. At present, in Czechoslovakia as well, after the opening of the borders, the people have essentially been making trips to the West. This attraction will probably vanish soon, and stagnation in tourism between our countries will be eliminated. To this effect, however, Bulgarian firms must sharply improve the quality of the tourist services they offer—lodging, food, services, transportation, and so forth.

In conclusion, Mr. Cambor indicated some specific commodities, the importing of which, in transferable rubles, the Czechoslovak organizations are prepared to discuss in order to balance the accounts:

- **Ossan:** Various types of metal processing machines.
- **Merkuria:** Refrigeration equipment, manual electric power tools and spare parts, household electrical appliances, and public catering equipment.
- **Strojexport:** Electric hoists and electric motor cars, batteries and battery elements for electric power carts, electric carts, and spare parts for greenhouses.
- **Motokov:** Spare parts for passenger cars and Avia-Chavdar buses, tractors and agricultural machinery, refrigeration units, milking-machine pumps, and car tires.
- **ZSE [high-tension electrical engineering plants]:** Air switches.
- **Chemapol:** Calcium carbonate, ammonium bicarbonate, Bulex L105-type latex, methacrylate, alkaline protease, and calcinated soda in bags or bulk.
- **Feromet:** Metal balls.
- **Interkoop:** Cigarettes, toys, tobacco, string, work gloves, suitcases, and others.

There is also interest in obtaining marble and fruits and vegetables, both fresh and processed.

Interested Bulgarian firms should apply to Milan Cambor, telephone 44-62-83, Sofia. They may rely on assistance in establishing commercial contacts and also on help from the trade-economic Bulgarian service in Prague, headed by Todor Dyulgerov, telephone 00422-3111276 (80).

National Democrats Support Slovenia, Croatia

AU2706142291 Sofia BTA in English 1357 GMT
27 Jun 91

[Text] Sofia, June 27 (BTA)—The Bulgarian National Democratic Party (BNDP) expressed support today to the Slovenian and Croatian declarations of independence. The BNDP sent telegrams to the Croatian and Slovenian legislatures stating that "this noble historic act is a prerequisite to start talks on the transformation of the so far Serbocentrist and unitarist Yugoslavia into a union of sovereign states." The National Democrats will insist that Bulgaria's Government recognize "the act of secession from Yugoslavia passed by Slovenia and Croatia," the telegrams say. They express the hope that Macedonia will follow suit.

The BNDP will hold a petition-presenting procession to the Yugoslav Embassy in Sofia in support of Slovenia and Croatia. According to preliminary information, the youth sections of the Democratic and Radical Democratic Party will join the procession.

The Bulgarian National Democratic Party was set up in 1990 on the basis of the National Democratic Union. Its platform declares support to national interests and values. Its leaders put its membership at 7,000. 2,000 people have renewed their membership during the ongoing registration.

The National Democrats have not taken an official stand on the statement Romania's Foreign Minister Nastase made on June 24 that "under the Ribbentrop-Molotov Pact Romania lost south Dobrudzha, occupied by Bulgaria." BNDP leader Luchezar Stoyanov told a news conference today that this is not an isolated fact and is hardly accidental, though the day after his statement in parliament Mr. Nastase told Bulgaria's ambassador in Bucharest that it was a misunderstanding and Romania had no territorial claims on Bulgaria. BNDP leaders blame Bulgarian diplomats, saying that the Foreign Ministry reacted only after a direct provocation. According to the BNDP, after Ceausescu's ouster the Romanian press has carried at least twenty claims to south Dobrudzha, while Foreign Minister Nastase was inspirer of the Romanian Home extreme nationalistic organization.

According to the BNDP, Bulgaria's state leadership keeps unjustifiable silence on Bulgarian national policy.

'Phantom Voters' Alleged in 1990 Elections

AU2706124691 Sofia BTA in English 1111 GMT
27 Jun 91

[Text] Sofia, June 27 (BTA)—Today's "DEMOKRATSIYA" runs a follow-up of its last week's article which revealed that some 500,000 voters in the elections last June, were actually nonexistent. During the last seven days there was no response from either the political forces or the executive authorities. Only yesterday the members of the SDS-National Movement

parliamentary group, who walked out of parliament, demanded that the matter be handed over to the Prosecutor of the Republic.

Citing statistical guides and the results from last year's elections, three researchers: Mr. Angel Zhivkov and Associate Professors Mikhail Konstantinov and Nikolay Vulchanov, wrote in "DEMOKRATSIYA" last Wednesday and today that about half a million votes of "dead souls" were registered in last year's elections. The authors publish a list of constituencies in which there is a difference between the number of voters and the number of votes for the different parties, invalid voting papers and blank envelopes.

Without those 500,000 nonexistent voters, the ratio between the candidates of the Bulgarian Socialist Party elected by the majority representation system and the candidates of the other political forces would have been different. The number of "dead souls" was greatest in Sofia: 100,000. The authors of the article ask Bulgaria's Prime Minister Dimitur Popov, then chief of the Central Electoral Commission, when the election results from the individual polling stations will be published. They also ask Academician Nikolay Todorov, chairman of the Grand National Assembly, to state when exactly the report of the Mandate Commission is to be published. The researchers also put questions to Mr. Petko Simeonov, head of the SDS Election Club, and to President Zhelyu Zhelev, who was then the SDS leader.

According to the authors, the 500,000 "phantom voters" in June 1990 were part of a plan by which the Communist Party managed to retain its power. "Due to the 'phantom voters' the results from the elections delayed Bulgaria's integration into Europe for a year and a half," the researchers write in today's "DEMOKRATSIYA."

FDK Wants Updated SDS Election Agreement

AU2706134491 Sofia DEMOKRATSIYA in Bulgarian
22 Jun 91 p 1

[Report by Vladimir Munzelov]

[Text] The First National Conference of the Federation of Democracy Clubs (FDK), which opened on 20 June in Bankya, will continue its work during the coming weeks. The precise date of the resumption of the conference will be announced later. Of the 137 delegates attending the conference, 89 voted for the reelection of Petko Simeonov as the federation's chairman, and 41 delegates abstained from voting.

The FDK conference adopted a draft document on updating the political agreement between the parties and the organizations in the Union of Democratic Forces (SDS) on the coming elections, which will also be read today [22 June] at the Third National Conference of the SDS. The document states: "The FDK, as one of the founders of the SDS, supports SDS unity. We oppose the splitting of the union into blocs and believe that separatism is fatal not only for the opposition but also for the

fate of democracy in Bulgaria. We support the independence of the parties and organizations in the SDS but urge that narrow party interests should be resolutely set aside in the name of the SDS cause. The SDS should enter the elections with a combined list of candidates, with no quotas, and in close cooperation with all the opposition forces."

The FDK will insist that the Grand National Assembly dissolve itself on 17 July.

Bulgarian, Turkish Social Democrats Cooperate

91BA0711A Sofia SVOBODEN NAROD in Bulgarian
10 May 91 p 4

[Interview with Hasan Fehmi Gunes, chairman of the parliamentary group of the Turkish Social Democratic People's Party in the Meclis, by Milen Belchev at the 38th Bulgarian Social Democratic Party Congress in Sofia; date not given: "Our Common Neighborly Responsibility"]

[Text] [Belchev] With what feelings did you come to Bulgaria?

[Gunes] I came as a guest of the congress of the Bulgarian Social Democratic Party [BSDP], and I am particularly pleased because this is the first congress to which the Turkish Social Democratic People's Party (SDNP) has sent a delegation. Before now, the conditions for such an action were simply not present....

I personally assess this congress as a stage in the development of the BSDP, both in terms of the activeness of the delegates and the presence of friendly parties from Europe. This is of great importance particularly now, when Bulgaria is taking its initial steps toward democracy after years of being under a totalitarian regime.

Democracy is something that can be achieved with a great deal of effort, and I, personally, do not know of any country that has easily covered the distance you are now facing. As you know, we experienced and are continuing to experience difficult times in our country. In turn, social democracy is also encountering difficulties, but I believe that they are not problems we cannot deal with.

[Belchev] How do you see the development of relations between the SDNP and the BSDP?

[Gunes] My presence in Sofia also offers the first excellent opportunity to lay the foundation for friendly relations between our two parties. We in Turkey follow with attention and interest the Bulgarian Social Democrats' efforts aimed at the organizational strengthening of the party and the building of a new society in your country. We know that the BSDP is firmly upholding the basic principles of social democracy and, relying on them, will struggle for social justice because, in the final account, that is its main objective.

That is why we sincerely believe that we shall be able to develop mutually useful cooperation between the social

democratic parties in our area and jointly resolve the difficult problems of our time. Such problems, as we know, are numerous and difficult. However, we are convinced that we must together seek ways to accomplish this. We are convinced that we can achieve good relations between our countries and peoples because we are neighbors! Countries cannot choose their neighbors: They are historically determined, and, good or bad, they must live together. To live well today, one needs good neighbors, so why should we not be such?

One needs a neighbor whenever difficulties must be overcome; neighbors help one another, and there should be no obstacles to that. We constantly think of that and are ready to maintain such relations and such cooperation on our part, on the part of the Turkish Social Democrats. There are differences between our peoples; no one disputes that. However, such differences should not be a reason or a basis for disputes, but grounds for cooperation, because our wealth lies in our differences.

[Belchev] Expanding the boundaries of democracy is to the benefit of everyone. What is your view on this idea?

[Gunes] We live in an extremely interesting age, when ties among individual nations and countries are of great importance. Individual and isolated states and peoples have few chances in the new interconnected world. Alliances and communities are becoming increasingly important. Just look at Europe! Naturally, in such communities one of the main conditions is the full consideration of rights and freedoms, something to which we must aspire. The state must guarantee such rights and freedoms because, otherwise, who would accept it as member of the big family?

The time of restrictions and persecutions because of beliefs, and the time of coercion are behind us. Mankind is struggling for ever greater freedoms and, attaining them, aspires to more. In such a time, the tasks of the social democrats are becoming increasingly more responsible. They are not what they were some 10 years ago. They are constantly changing because the times in which we live are changing. I am confident that the major problems of our time can be resolved only by the social democratic movement. We have witnessed the way, throughout the world, in which the ideals of social democracy are being adopted as a prescription for healing the consequences of the totalitarian regimes. In the case of Bulgaria and Turkey, as well, that is another reason for a rapprochement.

For the time being, neither of our social democratic parties is ruling. However, we have already established good relations between us, and I am convinced that, when we come to power—and we are bound to govern one day—such relations will help in the development of both countries, in establishing security and guarantees for peace in our area, in achieving security the world over, and in building a world without wars, without

violations of human rights, without nuclear weapons and fear. This will be a world based on the closeness and good relations among all people.

Pushkarov on Results of Visit to USSR

AU2806073591 Sofia BTA in English 2051 GMT
27 Jun 91

[Text] Sofia, June 27 (BTA)—"I think my visit to the Soviet Union will help solve many of the problems built up in bilateral relations," Mr. Ivan Pushkarov, minister of industry, trade and services, said on his return from the USSR.

Bulgaria and the Soviet Union share the view that the present model of their relations is outdated and that new forms of interaction should be sought, especially between companies. A wide range of problems concerning cooperation in the electronic industry were discussed. An agreement was reached to include Bulgaria's auto electronics in the major project for the remodeling of the VAZ Auto Works which will be carried out in cooperation with FIAT. Some new ideas about the establishment of joint stock companies with the participation of Western partners were also considered. Probably this will be the future of the Mechanical Engineering Works in Burgas and Ruse (Bulgaria) which will supply equipment for the Soviet oil industry. It will help solve part of Bulgaria's petrol problems.

It was decided to establish direct contacts with the constituent republics of the USSR. Documents on cooperation will be signed with the Russian Ministry of Industry.

Minister Pushkarov summed up the results of his visit in the following way: "Moscow doesn't trust tears, it trusts business." He stressed that he is the first minister of the Union of Democratic Forces to have held talks in the USSR.

Interviewed by the BTA correspondent in Moscow, the Bulgarian minister said that the Soviet Union believed it particularly important to hear the opinion of a representative of the parliamentary opposition and member of the Bulgarian Government on the development of Bulgarian-Soviet relations.

"The difference in the way the Soviet and the Bulgarian society develop should not be identified with political differences. There is no such thing," the minister said. "Bulgaria cannot achieve economic growth without interacting with the USSR and this is our categorical position," he said. On the other hand, however, "Bulgaria cannot develop on the basis of the previous, obsolescent, strongly conservative and centralized model of interaction with the Soviet Union."

According to Mr. Pushkarov, the transitional period is particularly important because the old model cannot be eliminated at a blow. Moreover, there is a major problem to be solved first: the way companies of the two countries

should settle their accounts on the basis of the two national currencies' market exchange rates. Then, there is yet another thing: the clearing, on which Bulgarian trade is based now, should be liberalized and freed of its present conservatism.

Mr. Ivan Pushkarov pointed out that at the meetings he had with Soviet Deputy Prime Minister Lev Ryabov and with leaders and representatives of seven Soviet ministries he had raised the question of how the hundreds of millions of rubles amassed by Bulgaria so far could be utilized and insisted on a detailed evaluation of the results of Bulgarian work in the USSR. "The Soviets show goodwill for solving these problems, although had we raised them three or four months ago, we would have been met at daggers drawn," Mr. Pushkarov observed.

Statistics on Company Debts Analyzed

91BA0704A Sofia DELOVI SVYAT in Bulgarian 6 May p 4

[Editorial under the rubric "Reliable Information for You": "Firms and Interest—A Troubled Life Together After a 'Reckless Marriage'"]

[Text] Because the firms within industry, trade, and services are one of the principal sources of revenue for the budget, whether they survive the transition to a market economy is not without significance. The analysis of the 228 firms we studied gives us no rosy pictures, but it at least explains the reasons and delineates and summarizes the trends.

The firms in the Ministry of Industry, Trade, and Services, including marketing and supply organizations, as of 31 December 1990 had working-capital and capital-investment credits in the amount of 17,225,500,000 leva, comprising 7,712,500,000 leva (or 44.8 percent of the total debt) in working-capital credits and 9,513,500,000 leva (or 55.2 percent) in capital-investment credits.

In 1990, the interest paid on the credits utilized totaled 951,500,000 leva—that is, an average interest rate of 5.5 percent.

The interest paid on working-capital credits amounted to 477,700,000 leva, or 50.2 percent of the total interest. The average interest rate on these credits in 1990 was 6.7 percent. The interest on the capital-investment credits amounted, correspondingly, to 473,800,000 leva, or 49.8 percent, with an average interest rate of 4.9 percent.

The Machine-Building Sector, whose total balance at the end of 1990 was 4,839,000,000 leva, or 28 percent of the total amount for the ministry.

The firms in the following sectors:

—The Metallurgy and Mineral Raw Materials Sector had a total debt of 3,410,500,000 leva, or 19.8 percent.

- The Chemistry and Biotechnologies Sector—3,331,300,000 leva, or 19.3 percent.
- The Electronics Sector—2,373,400,000 leva, or 13.8 percent.
- Marketing and supply enterprises—1,630,600,000 leva, or 9.4 percent.
- The Light Industry Sector—890,500,000 leva, or 5.2 percent.
- The Pulp and Paper Sector—540,100,000 leva, or 3.1 percent.
- The Woodworking and Furniture Industry Sector—220,600,000 leva, or 1.4 percent.

Given the increased interest rates averaging 47.6 percent, in 1991 they will have to pay the banks interest totaling 8,199,500,000 leva—3,671,200,000 leva on working-capital credits and 4,528,300,000 leva on capital-investment credits.

This will significantly burden the production cost of their output because, in accordance with the new Accounting Law of 1 April 1991, the interest paid on working-capital and capital-investment credits will be an element of the production cost of their goods and services.

At the same time, continuing pressure of the high interest rate will result in a consequent inflationary push.

On the other hand, the firms in industry as of 31 December 1990 had stocks in hand amounting to 1,669,800,000 leva, comprising raw materials and supplies—1,121,600,000 leva; unfinished production—286,600,000 leva; and finished products—266,100,000 leva.

Unsalable and unnecessary assets in the form of goods and materials at the end of 1990 amounted to 998,700,000 leva: Electronics—499,300,000 leva; Machine-Building—160,700,000 leva; and marketing and supply firms—276,000,000 leva.

According to incomplete data, the average turnover rate of working capital in our country in 1990 exceeded 90 days, which is a poor testimonial for our economy. Above-norm reserves and unsalable and unnecessary assets in the form of goods and materials represent a reservoir for killing huge monetary resources in the national economy—killed because they do not participate directly in economic turnover.

The debt for capital-investment credits as of 31 December 1990 amounted to 9,513,300,000 leva, of which 1,566,700,000 leva were investment credits from the State Crediting Fund, and 3,044,500,000 leva were credits, the term for liquidation of which had been extended in the 1987-90 period inclusive, by virtue of Protocol No. 41 of the Council of Ministers' Bureau, dated 12 December 1986.

The greatest investment-credit debtors were the firms in the Metallurgy and Mineral Raw Materials Sector—

2,693,100,000, comprising 814,300,000 leva from the State Crediting Fund, and 1,284,200,000 leva were credits, the term for liquidation of which had been extended by virtue of the above-cited protocol of the Council of Ministers.

Polimet in Sofia, Steel in Pernik, Kremikovtsi, Pomat in the village of Debelt (Burgas Oblast), Lead and Zinc in Plovdiv, and Steel Tubing in the city of Septemvri bear 89.5 percent of the total debt for these credits for the sector and 84.5 percent of the interest on them.

In 1990 they paid interest in the amount of 64,800,000 leva, and this year, on the same debt, they are going to have to pay 1,148,500,000 leva, or 1,083,700,000 leva more.

As a result of an erroneously implemented price policy, these first-echelon firms have thus far had a low profitability. Some of them have operated at a planned loss, for which reason they were not in a position to self-finance their expanded capital replacement. Consequently, they got subsidies from the state budget and built up a large debt to the bank for capital-investment credits.

The second-ranking investment-credit debtor is the Machine-Building Sector—2,587,000,000 leva, or 27.2 percent of the total debt of the industrial sectors within the ministry.

Of the above-indicated debt, 1,038,500,000 leva are investment credits, the term for liquidation of which was extended by virtue of government decisions due to financial difficulties of the firms that used these credits, while 403,300,000 leva represent credits allotted from the State Crediting Fund.

In 1990 the firms of the sector paid out, in the form of interest on investment credits, the sum of 119,400,000 leva, but this year, on the same debt, they will have to pay interest in the amount of 1,231,400,000 leva, or 1,112,000,000 leva more.

The principal debtors are Heavy Machine-Building in Ruse, Rodomir-Metal, Madara in Shumen, Vamo in Varna—155,100,000 leva, Steel Foundry in the city of Rokovski, Metakom in Vratsa, Metal-Mayak in Dobrich, Chavdar in Botevgrad, Iron Foundry in Ikhtiman.

And here, due to distortions in the prices of first- and second-echelon output, some of the firms had low profitability, and the rest operated at a planned loss. This is one of the reasons for the use of large-scale capital-investment bank credits.

In third place in the amount of investment-credit debt are the firms of the Chemistry and Biotechnologies Sector. As of 31 December 1990, the debt for these credits for the sector as a whole amounted to 2,319,000,000 leva, of which 325,600,000 leva had had an extension of the term for liquidation, and 232,300,000 leva were from state credit.

Most heavily obligated are Polikhim in Debnya, Industrial Microbiology in Razgrad, Neokhim in Dimitrograd, Neftokhim in Burgas, Rubber Products in Vidin, and Khraninvest in Stara Zagora.

Altogether, the firms in this sector paid interest of 177,800,000 leva on these credits, while this year, on the same debt, they are going to have to pay interest of 1,103,800,000 leva, or 926,000,000 leva more.

The reasons for the formation of this significant credit indebtedness for investment credits in this sector are complex, but the price factor is at the bottom of them.

Next in importance of investment-credit debt is the Electronics Sector—758,000,000 leva.

Here the main debtors are the following firms: Microelectronics in Botevgrad; ZMM in Sofia; DZU in Stara Zagora; Inkoms in Sofia; Peripheral Equipment in Sofia; and KAM in Plovdiv.

We should note that, by the end of 1988, this sector was most profitable and yielded the greatest profit of all industrial sectors.

The financial problems in the sector appeared in recent years with the gradual disintegration of the CEMA-member countries' markets, and, especially, the market with the USSR. This is one of the reasons for forecasting a loss in 1991 in the amount of 134,500,000 leva. Something that unquestionably also contributes to this is the burdensome effect of higher interest rates on the production cost of output.

If the influence of higher interest on capital-investment credits alone were eliminated, the sector as a whole should wind up with a profit of 177,900,000 leva, while, if the difference in interest rate on working-capital credits were also taken into account, the profit would increase to 834,500,000 leva.

As a result of price liberalization, the firms anticipate a sharp rise in the ad valorem volume of commodity output—from 27,806,000 leva in 1990 to 89,961,000,000 leva, a more than threefold increase.

The firms anticipate income of 89,253,000,000 leva and expenditures of 87,782,000,000 leva—that is, that the taxable profit will be 1,471,000,000 leva.

In the expenditure structure, after direct outlays for materials, the greatest percentage of the production cost of output is attributable to the absolute and relative proportion of financial expenditures, and more particularly the amount of interest on working-capital and capital-investment credits. Altogether, the amount thereof totals 9,397,000,000, as against interest of 951,500,000 leva paid in 1990.

In its absolute amount, the interest exceeds such basic elements of production cost as outlays for wages and other personnel remuneration, including outlays for social security benefits, which altogether amount to 6,956,000,000 leva.

In the event, the banking system in 1991 will receive in the form of interest from the industrial firms within the Ministry of Industry, Trade, and Services alone the sum of 9,387,000,000 leva, of which 52 percent, or 4,881,000,000 leva, will be returned in the form of a profit tax, payments to the obshtina people's councils and for the Meliorations Fund, and through taxation of the commercial banks, but the difference of 4,506,000,000 leva will remain in the banking system. As a result, some industrial sectors within the ministry as a whole will (according to the firms' forecasts) wind up 1991 with a loss.

Blagoevgrad Economic Managers Issue Protest

AU2706125691 Sofia DUMA in Bulgarian 25 Jun 91 p 4

[Report from Blagoevgrad by Ivan Ilkov: "Industry in Blagoevgrad Approaches Bankruptcy"]

[Text] The six members of the Union of Economic Managers in Blagoevgrad are worried about the fact that the situation in the municipality is approaching the critical verge of economic insolvency. During the first five months of 1991, losses in output amounted to 62,795,000 leva, and, in May alone, the value of lost production was 12,436,000 leva. Last month, goods valued at almost 5.5 million leva failed to find buyers in the market. At the same time, the prices of the main types of goods are among the highest in the country. Unemployment figures are rising at above the average rate for the country. There are many reasons for this complex situation: lack of raw and other materials, nondelivery of necessary components, and legal and illegal strikes.

The document presenting the viewpoint of the economic managers that was sent to the Council of Ministers states: "Together with the collectives managed by us, we are suffering the grave consequences of the economic crisis. We are disturbed by the incompetent interference of superior authorities, trade union representatives, and others wishing to settle accounts with the economic managers." Later, the declaration states: "We support honorable social partnership and constructive negotiations and actions but strongly oppose party bias in the assessment of our work. We are worried by the mass attack on us and by the publication of lists of 'doomed' directors on the part of the two trade union federations."

We cannot agree with all of us being described as a "criminal economic *nomenklatura*." We strongly defend the view that people should be called to answer for their errors. However, this should be done not by means of secretly compiled lists and illegally organized strikes, but by the court and competent bodies. We consider that the implementation of the second stage of the reform should not consist of removing the leaderships of companies and enterprises, but of skillful, loyal, and professional joint work with the government and trade unions at all levels of management of the economy. The trade unions' categorical demands put us in the position of providing a convenient outlet for the dissatisfaction with the general situation in the country.

Czech-Slovak Dialogue Held on State Arrangement

4U2706144391 Bratislava PRAVDA in Slovak
26 Jun 91 p 2

[CTK report: "An Agreement Is Possible, but Differently"]

[Text] Prague—A Czech-Slovak dialogue, organized in Prague yesterday by the Assembly of Political Parties, Movements, and Associations in the CSFR, was devoted to the constitutional and legal arrangement. Representatives from the Civic Democratic Party, the Movement For a Democratic Slovakia [HZDS], the Slovak National Party [SNS], and the Party of the Democratic Left [SDL]—who are not affiliated with the Assembly—also accepted the invitation.

No views were expressed in the discussion that would cast doubts on the existence of the joint state. However, there were contradictory views about the form of the joint state and about calling early parliamentary elections, about extending this electoral period, and about organizing a referendum on a different constitutional and legal arrangement. Representatives from the SNS, the SDL, the HZDS, and the Czechoslovak Democratic Party proposed that, instead of holding a referendum, a public discussion should take place and the issue should be resolved by seeking a general consensus among the political parties and movements. HZDS Chairman V. Mevlar said that the draft constitution put forward by the Czechoslovak president is of poor quality. He described V. Havel's personal interventions in the talks on the constitutional and legal arrangement as very unfortunate.

In their concluding declaration the participants stated that the current course of the discussions involving the governing coalition parties and the parliamentary parties will not lead to a generally acceptable proposal. The participants in yesterday's meeting—with the exception of the SNS—agreed that they unequivocally prefer specifying a common constitutional and legal form to the possibility of the state breaking up. They describe the current proposals for a constitutional and legal arrangement as federative, but they have no clear character. Thus the situation has arisen that the next round of talks will be very difficult. If the parliamentary discussions do not lead to a successful conclusion, it will be essential—without proper preparations—to speedily adopt a law on holding a referendum on this issue.

Communists Reject Democratic Left Establishment

4U260701191 Prague HOSPODARSKE NOVINY
26 Jun 91 p 2

[CTK report in the "Briefly" column]

[Text] Chairman of the Communist Party of Bohemia and Moravia [KSCM] Jiri Svoboda reacted to the establishment of a Democratic Left branch within the KSCM

at a news conference yesterday. In his opinion, the differentiated platform does not, at the moment, have a program that could enhance the party and appeal to the general public. He also stated that the KSCM program is closest to those of the Czechoslovak Socialist Party and the Agrarian Party. Perhaps there could also be a program rapprochement with the Czechoslovak Social Democratic Party and with the Christian and socially oriented faction within the Czechoslovak People's Party.

Social Democrats Reject Yazov's Claim on Invasion

4U2706125391 Prague CTK in English 1626 GMT
25 Jun 91

[Text] Prague June 25 (CTK)—The Czechoslovak Social Democratic Party (CSSD) today rejected Soviet Defense Minister Marshal Dmitriy Yazov's statement that Soviet troops did not invade Czechoslovakia in 1968, but were invited by the country's leaders.

At a press conference, CSSD Presidium Member Ivan Fiser responded to an interview with Yazov carried by the Czechoslovak independent daily LIDOVE NOVINY on Monday by calling his words "unacceptable for us."

The CSSD is also concerned about the fact that Czechoslovakia's legislative bodies have not yet even discussed a draft law on association in political parties.

CSSD Deputy Chairman Jaroslav Tuma said the draft recently submitted by a group of Federal Assembly deputies has one fundamental shortcoming: it does not deal with the issue of the return of political parties' property.

This is a sensitive issue for the CSSD because the party seeks the restitution of about 130 so-called people's houses which had belonged to it before World War Two, a large number of "workers'" gymnasiums, and other real estate. Tuma noted.

CSSD representatives said the party will try to obtain the right for Czechs and Slovaks living abroad to participate in next parliamentary elections which are to be held by June 1992.

Many CSSD members left Czechoslovakia after the Communists seized power in 1948.

Conference Panelists for Strong Central Government

4U2606170191 Prague CTK in English 1818 GMT
24 Jun 91

[Text] Bratislava June 24 (CTK)—To make a successful transition to a market economy and become a member of the European Community, Czechoslovakia must create a strong central authority capable of taking tough

decisions, experts on constitutional law and legal reform said today at the end of a three-day conference here.

The main purpose of the conference, which opened on Saturday [22 June], was to identify constitutional prerequisites for economic reform and market structures. Participants from the United States, Canada, and Western Europe summarized their conclusions at a press conference today.

Professor Herman Schwartz of American University in Washington D.C., said a strong central, federal government could be a guarantee of stability in Czechoslovakia from the international point of view.

Conference participants warned that a breakup of the current federation into two independent republics, Slovak and Czech, could cause economic complications; for instance, in the repayment of 250 million dollars' worth of loans from the International Monetary Fund, provided to the Czechoslovak Federation as a whole.

Slovak Premier Jan Carnogursky, the official sponsor of the conference, acknowledged the importance of the conference as a discussion forum on the legislative and legal issues involved in the preparation of new constitutions for the federation and the republics, but stressed that political decision making on the future setup of the country will be an internal affair.

Dagmar Buresova, chairwoman of the Czech parliament, said she sees no reason why the two republics should not exist as sovereign units within a federation. The main thing, she said, is for the power-sharing arrangement to be viable.

Jan Carnogursky's Wife on Family Life

91CH0664A Bratislava ZIVOT in Slovak 16 May
pp 5-7

[Interview with Eng. Marta Carnogurska by Jarmila Malecova in Dubravka; date not given: "Popularity Is a Fickle Lady"—first five paragraphs are ZIVOT introduction]

[Text] We came to visit the Carnogurskys and found them to be just like any other family. Shopping, cooking, the hustle and bustle with the kids, telephone calls coming also from overseas—and the wife of the prime minister of the Slovak Republic government, Dr. Jan Carnogursky, takes care of it all. What kind of woman is she? What does she think about people and about the world, about what is going on around us? Will she receive us as intrusive journalists? No at all. Right away her face lightens up with a wide, unfeigned smile...

The Smile

It stayed with us from the first moment when she opened the door to her apartment and as we sat down with a cup of coffee; later, when the lady of the house checked on her children's homework, it occasionally vanished only

to reappear. It seemed to compensate for the serious mien of the prime minister of the Slovak Republic.

Yes, you guessed right! We are speaking of Mrs. Marta Carnogurska, Dr. Jan Carnogursky's wife. At home with her was her son Peto, a fourteen-year-old student preparing for the Business Academy.

"Are you doing your math?" Mrs. Marta called in the direction of the boys' room but without waiting for an answer, she began to tell us how she had devised a method to monitor her four children's homework.

"That is some luxury—to have four children, isn't it?" we asked. "It may well be, and it was particularly in those oppressive times, but once they are born, I love them all equally," she replied. We know what we want to discuss with her but we are waiting for the rest of the family to come so that they all may huddle together before the lens of our camera. We did not have any luck with two of them—Anka, an eighteen-year-old member of the Gong puppet theater, who was delayed somewhere though the sun was already setting on the horizon behind the Dubravka housing development; and of course, we were waiting in vain for the head of the family who was away on yet another trip to some wonderland, as Mrs. Carnogurska so well put it in a fairy tale way. Thus, we had to scale down our hopes of getting a picture of the whole family.

We went to check whether Peto was really working on his assignment and laboring on his math; before we realized it we had seen the whole minihighrise apartment; although it has four rooms it is small for such a large family.

"I am happy here even though I really have no idea where to put my files," said the lady of the house. "Look, here we have documents concerning foreign contacts; this is a file of letters our citizens sent to my husband; these are the KDH [Christian Democratic Movement] contacts, and here, look, are my crimes against culture; over there in that small niche are the problems of the Catholic Union—of the disabled—and here again is the file of the Society of People of Goodwill."

As she shows us these important documents, it does not bother the lady of the house that we are staring in astonishment at the small shelves where the papers are crammed.

She Is Smiling

Who in this household plays the upright piano? We are looking at a relatively new piece of furniture.

"I bought it on installment because my daughter desperately wanted to learn how to play the piano. And now? Well, no one plays. She gave it up. So as you can see, with the cover down, it again is a spot for my husband's files. But I hope that the piano will again serve its purpose."

They really use every single, even the smallest spot in the apartment so that the children can store their stuff; there

are shelves even above the door. The furniture is modest, the rooms are crowded, and there is a covered sewing machine in the corner. Nevertheless, good humor, patience, kindness, and above all Mrs. Carnogurska's smiling face predominate.

It is quite appropriate that Marta Carnogurska had recently quit her job as construction engineer and that she devotes herself to her family, her husband, and various social activities with which she manages to deal lovingly and comprehensively. No wonder that her father-in-law, Pavol Carnogursky, a former deputy during the Slovak State, said about her: "When Marta makes a resolution and is convinced that it is for a good purpose, you can be sure that she will get it done."

Faith

Someone rings the bell. It is Vierka, the youngest of the Carnogursky children, still a playful 11-year-old schoolgirl. We went to see the girls' room where a small children's suitcase has the place of honor. Vierka opens it and proudly shows us the wardrobe of her favorite Barbie doll. It has plenty of clothes. Vierka's mother even made a black leather skirt for it. However, Barbie's cocktail gown is another story.

While her husband was in prison Marta Carnogurska found herself alone with her four children. After a while she received permission to visit him. So the distaff side of the family—the mother and her two daughters—went to see him. But how disappointed were both the mother and Vierka when the little girl was not allowed to see her father for a couple of minutes! It was a "whim" of the honorable judge at that time, but what could Marta do? They were glad that at least she and Anka could visit their husband and father.

"I had to tell my husband of that small tragedy because he wanted to know where Vierka was," recalls Mrs. Marta. "I decided not to conceal anything from him, or else he would have suspected that Vierka preferred fun and games. I was so sorry for her and so afterwards I went and got a ready-made outfit for her Barbie. It is this one, the multicolored iridescent one."

But what a surprise for the mother when Vierka's cousin who was visiting wanted to swap the newly purchased outfit for Barbie for another, also very pretty dress. Vierka said—and this happened just recently—"Mom, I would not give this dress to any other Barbie; you remember that you bought it when Dad was in prison and I was crying so much because they would not let me see him...." Well, the child did not forget.

"I cannot imagine life without faith," muses Marta Carnogurska. "By that I do not mean the Catholic faith alone, in other words, religious beliefs, but rather one human being's trust in another. On many occasions I have casually said that I don't have faith in anything, but that may have been in moments of helplessness, and I did not really mean it."

She perceived trust in man as a two-way street, especially on the part of her husband. He was confident that their children would be taken care of, and that their whole family had many branches which held together and would assist one another. The art of living together depends on each partner's doing as much as possible in his or her power.

"And also, I could see that he was doing his best so that we could free ourselves from totalitarianism some day. I tried my best not to burden him with domestic problems, children, money matters, daily worries."

How exactly did those two meet? The smiling Marta and the solemn Jan?

"It all started in the college of civil engineering. There we met. Although Jan did not want to study that particular field but he was unable to get in anywhere else. As soon as the political situation so permitted, he switched to law, first in Bratislava and later in Prague. So we began to correspond. Without his letters I would never have gotten to know him well. It probably was the best possible way when he took a pen and wrote about his faith, hope, future and all kinds of things young people write.... At that time we realized that we not only were congenial but that we shared the same world view. In 1969 we spent our last vacation as college students in England, and after we graduated we got married. Several members of our family were born in May, and I am one of them. Somewhere I read that the best partners for them are those born in the sign of the Capricorn. And can you imagine, my husband was born in that sign."

Does she believe in astrology?

Not entirely, she only thinks that everything fits so perfectly in the framework of relations between two people who wish to set out on a life's journey together.

Hope

"Without it, I don't know what I would have done. Most of the time I was alone with my children, especially ten years ago when my husband was fired from the law office. Although he was unemployed, he was always extremely busy. I said to myself: You can work as a mason (that was part of my practical trade school training), you can sew and drive, you can speak a foreign language, so, girl, you have nothing to fear. In the end, there was no time for any great anxiety, it was eclipsed by the worries about my children, household, husband, and parents. You know, I believed my husband when he said that the old system would collapse some day. That happened sooner than we had expected."

Engineer Marta Carnogurska has resigned her job in building the new Institute for Physically Disabled in Dubravka, but she continues to follow its progress. Everything is in the stage of preparations, on paper; it was all snarled by the law on restoration of private lands and gardens. Of course, people do not want to give them

up, but the plan for this construction is already finished and calculated; it is projected precisely for this area.

Could Mrs. Carnogurska become a Slovak Olga Havel?

"I want to help effectively. We succeeded in organizing a benefit concert for the sightless. I have good personal contacts with the town of Levoca; I want to assist cooperative trade that can give such individuals some purpose in life—work. I am cooperating with the Christian league for our mentally handicapped fellow citizens in dealing with their specific problems. Our cooperation with the Bratislava branch of Matica Slovenska is very successful. I am the honorary chairperson of the Catholic Union in Slovakia whose headquarters are in Trnava, but I am fending off any other functions because my husband needs me and both of us cannot be directly involved in politics. Through him, however, I meet many interesting people and that for me is an inspiring experience."

Last year she and her husband took two trips to the United States and Canada. Mrs. Carnogurska went across the ocean with colossal plans. She wanted to help our culture, restoration of our landmarks, and individuals in the social area. Her calculations very modest; she thought that the aid from the American and Canadian Slovaks would meet her expectations of financial assistance to Slovakia.

"We must be realistic," she says now with a gentle smile. "They all were nice and kind, they could understand our reasons, but I found out that there was no free lunch for us. I realize that all over the world people highly value their every coin and thus, we too must learn how to value our work because only work can put us on an equal footing with rich countries."

Charity

The doorbell rang again. Alas, it was not the other daughter, Anka, the future college student of special education. "We'll see whether she is not on the concrete." What concrete?

Again a broad smile. There are two spots near the building where children and teenagers meet—one in fact has a concrete surface, the other is a lawn.

It was the eldest son, Janko, a law student in Vienna. He resembles both his father and his mother; who can tell from which one he inherited his sense of humor?! He finds his studies difficult; the legal style is complex, but "I am plodding along, and I shall plod along until I learn German perfectly," says the student.

The three children at home can take care of themselves. Peto worked on his homework, Vierka played, and Janko went to read in his room. Only then did we in fact find the courage to ask: How do you explain that your husband is not very popular?

"His unpopularity surprised me," she replied readily and spontaneously. "I don't know whether to credit that to

the smear campaign or the anti-Christian crusade. Christianity is a thorn in the flesh of many people. I considered it unfair because as an attorney he helped many people over the past 10 years, and those people know it. I know that he has already contributed a great deal of work to the benefit of our nation and to the overthrow of communism. He got involved in such tough confrontations that I was afraid for him. Yet I trusted him and I still do. His was a course of difficult and unambiguous steps. I wonder, where were in those days all the individuals who now proclaim themselves saviors of the nation?"

Why does not Mrs. Carnogurska's husband open himself more to the people; why does he not share his experience with them?

"He does not say much but his statements are diplomatic. You would have to ask him. At home we have no time for political discussions. He comes home; he showers; sometimes he does not even eat, and right away he falls asleep. In the morning he leaves before the children and often returns after midnight. That is nothing new. Every politician today works at the same pace.

"Last year my husband and I went to France; people there were talking about their faith and we as guests from East Europe were invited to tell them about our experience from the past years. For me it was very difficult; for one thing, few would believe what we had gone through, and for another, I realized that I had forgotten how to speak. After all, at home my husband and I used to discuss only daily routines and scribbled on scraps of paper all other, more important matters. In fact, to this day I cannot be sure whether all the 'bugs' planted in our apartment are gone."

Mrs. Carnogurska is visibly pleased when at her husband's side she can meet new people who respect him and with whom Dr. Jan Carnogursky had corresponded and especially kept personal contacts for many years. He issued the appeal for the organization of the Christian Democratic Movement and thereby he took upon himself a great responsibility. He cooperated with Charter 77; as an attorney, he defended many of its members, although he himself had not signed that document because of his reservations about it. He never said anything he would have to retract. His lack of the gift of the gab helped many people during totalitarianism. And popularity? That is a very fickle lady.

But we all are impatiently waiting, everybody wants to know where we are headed...

"From its beginning the Christian Democratic Movement stated in very clear words that Slovakia intends to act as an independent entity in the future united Europe. I realize that all of us are getting impatient, but if my husband is sparing with some pronouncements, it is because politics is a process. What today may seem impossible, tomorrow may come true thanks to a configuration of certain circumstances...."

Finally, we return to love:

"One cannot live without hope and love," she concludes. "Most important of all is love. A person who loves is able to forgive and that gives him hope. I think that love is kind, understanding, long-suffering, and able to surpass anything...."

Three very tiny and inconspicuous pendants glisten on a golden chain on Marta Carnogurska's neck; they are the symbols of faith, hope, and charity.

General Staff Foreign Affairs Expert Interviewed

91BA0728A Sofia NARODNA ARMIYA in Bulgarian
1 May 91 pp 1, 4

[Interview with Major General Jiri Divis, chief of the International Relations Directorate of the Czechoslovak Army General Staff, by Senior Lieutenant Krasimir Uzunov, Prague-Sofia, of NARODNA ARMIYA; place and date not given: "Let's Not Miss Our Chance—Conference on 'Future of Security in Europe'"]

[Text] Up until a week or two ago, a colonel, now already a major general, Jiri Divis is one of the officers greatly responsible for the Czechoslovak Army's future development. The Vienna negotiations, preparation of the documents of the Conference on Security and Cooperation in Paris and the Conference on the Future of Security in Europe—these are only strong points in the evolution of the officer who survived disappointments, crises, and, most likely, more than one comeback.

[Uzunov] Major General, sir, now that the General Staff has been separated from the Ministry of Defense, what, in your opinion, is the new element in the Czechoslovak Army?

[Divis] We think that this new reallocation complies with our ideas on ensuring and implementing the defense doctrine we adopted several weeks ago. The political leadership now has its organization, and the military leadership does, too. There exists a very close tie, but, in routine action, it is possible to operate separately.

[Uzunov] How would you define the priorities in the Army's future development? Where will the Czechoslovak officers study?

[Divis] These are two different points. Our foreign aspects involve guaranteeing the security of the state. Our efforts are directed toward implementing all of the basic features of the military doctrine. To be sure, this brings to the fore many questions and problems because we are at the very start.

For training our officers, we have opened up many possibilities. First and foremost, they will train here in Czechoslovakia. At the same time, we believe it is useful to make available an opportunity to train abroad. We are discussing several ideas for using proposals of foreign military schools and academies.

[Uzunov] In Czechoslovakia, as in almost all East European countries, military subunits are deployed in the direction of the potential enemy. How will this disbalance in the distribution of troops be eliminated now?

[Divis] A redeployment of troops is under way in Czechoslovakia. It is fulfilling precisely the goals of the military doctrine and is based on it.

In almost the same way as in Bulgaria, our troops were directed against the potential enemy. For us, that was West Germany, where we had a common boundary with a NATO country. This is now an outdated scenario. We no longer have an enemy behind our western boundary. This means that we should carry on some processes in parallel fashion. Reduction, redeployment, and changes in structures. The question becomes complex.

If one must speak only of redeployment, we are, of course, transferring subunits into Slovakia, where previously there were almost no troops. The process in Moravia is almost identical, which means that we are distributing our Army almost uniformly over the country's entire territory. This is by no means directed toward a confrontation with any of our neighbors. We are strictly implementing our defensive military doctrine.

[Uzunov] What can be said about the problems of officer prestige in Czechoslovakia? How do you, as a representative of the General Staff, visualize the future Czechoslovak officer?

[Divis] This is a very complex question. We must learn from the experience of other armies how to elevate officer prestige. The past creates additional complications because officer prestige was not particularly high.

Actually, prestige and its elevation depend on many factors. To begin with, we must change the social climate. We must, besides, demonstrate that the Army exists to defend the country's territorial integrity and its sovereignty. The people must understand that, in this complex situation, it is impossible to operate without the Army. We ourselves must change, we must understand our own demands for living conditions, for the people's standard of living. This complex process depends not only on us but also on the government, on the parliament, on many strata of the population.

[Uzunov] A personal question, if you will permit. Is there any difference in the way of thinking of Lieutenant Divis and Major General Divis?

[Divis] Yes, there is a tremendous difference. Formerly, when I was under the daily influence of propaganda, I could make no comparisons or analyses. Once I had the opportunity to see the world abroad, to read other newspapers and hear what was taught there, I came to understand many things. The process of change accelerated.

[Uzunov] Surely it is very difficult to serve on a general staff at such a dramatic moment in the evolution of all the East European countries! How do you visualize the

relations between the Bulgarian Army, in which changes likewise are taking place, and the Czechoslovak Army?

[Divis] We will be very happy to give a new stimulus to these relations. I personally participated in the decision of the questions involved in the Vienna negotiations and reapportionment of quotas. We worked closely with the leadership of the Bulgarian Army. We became aware that both countries were seeking new approaches. We are glad because we believe that Bulgaria will remain on the path of democracy. We are very hopeful of successful future cooperation.

[Uzunov] Do you believe in the future of a united Europe?

[Divis] Yes, I certainly do. I believe that all opportunities for this have been opened up. We just must not miss our chance.

[Uzunov] You have a long career as an officer. What is your life's creed?

[Divis] It has changed several times. When I began my service in the sphere of international relations, I realized what a nightmare reigned there. The high point for one phase of my life was the signing of the Paris agreement on security and cooperation. I had worked toward this for many, many years. With the signing of the Paris Charter of the negotiations, I believe that I have realized one of my life's goals.

[Uzunov] What do you long for as a human being?

[Divis] I believe that my grandson, who is now six months old, will not be obliged to serve in the Army and that, until then, everything will be solved auspiciously....

European Bank's Nemeth on Activity, Tasks

4U2406125691 Budapest MAGYAR HIRLAP
in Hungarian 22 Jun 91 p 9

[Interview with Miklos Nemeth, deputy chairman of the European Bank for Reconstruction and Development, by Dezso Pinter; place and date not given: "I Chose a Good Road"—first paragraph is MAGYAR HIRLAP introduction]

[Excerpts] If anyone looks at the European Bank for Reconstruction and Development [EBRD] as a bank supporting general political and democratization efforts, he will obviously be disappointed. What we are doing is nothing but providing support for the creation of a market economy that would strengthen the system of political institutions and multiparty democracy, and we are doing this with various banking methods and means. Among other things, Miklos Nemeth spoke about this in his interview to MAGYAR HIRLAP. The former Hungarian prime minister did not talk about the changes and domestic political events that have taken place in Hungary in the past year. "It is not my task to evaluate the past; this is the task of historians. As for current Hungarian domestic policy, it would not be correct for an official of an international institution to give an opinion on this. My job is totally different." [passage omitted]

[Pinter] There is nothing special in the fact that the countries that require support are trying to win your bank's good will and prove that they are worthy of support. At the same time, it is becoming increasingly clear that these countries can hardly represent their own national interests without coordination with the other countries in this region. In what areas and in what way is such coordination legitimate?

[Nemeth] Europe has been divided for quite awhile during the past decades. A cooperating Europe is the great historical opportunity of today. But so far, little progress has been achieved in this cooperation. Both in the East and West, people say that a competition has emerged between the former socialist countries over who is advancing faster and how to join the European home or the EEC faster. The former socialist countries differ in the creation of a market economy and the strengthening of institutions of a bourgeois democracy, partly because of their past heritage, and partly as a result of their past policy. However, all of this should not make them advance toward their goals by trampling on each other and disregarding each other's interests. It is impossible to create a uniform and strong Europe in this way. The road to Europe only leads through working out new forms of cooperation. [passage omitted]

[Pinter] The meeting in Bartfa provided a lot of sobering lessons. One of the major lessons is that the West continues to seem helpless when a concrete decision has to be made on the ways and extent of supporting East and Central Europe.

[Nemeth] The EBRD, as well as the other international financial institutions, have clear views and criteria. It is impossible to win the support of the West merely by using the slogans of strengthening democracy. What can be done is the following: to make sure that, after discovering mutual interests, the West clearly participates in restructuring the still "state-dependent" economies in this region by means of development projects. All of this needs larger development sums and various investment funds, and these funds should not be used the way they were used in the past. There is hope for starting the modernization of East and Central Europe only if Western aid is characterized by an expedient development policy of encouraging an intensive technological development. International financial institutions want to create more advantageous conditions not only in the economy, but also in the area of technological aid. [passage omitted]

[Pinter] What were your impressions from your recent visit to Moscow when you accompanied your bank's president?

[Nemeth] In addition to Mikhail Gorbachev, I also met other figures, like Boris Yeltsin and the chairman of the Soviet Central Bank. The search for a way out continues in the Soviet Union. There is a lot of uncertainty about the goals and the means leading to these goals. This is natural. It seems certain that a process has begun in some Soviet republics that cannot be reversed. This process could lead to the appearance of political and institutional reforms required for the protection of civil and human rights, as well as to the development of elements of the market economy. As I see it, both leaders are determined to formulate a new general policy and a new economic policy. The whole world is interested in a peaceful transformation here, and the EBRD will also take its share in supporting this. [passage omitted]

[Pinter] A summit meeting of the world's seven strongest economic powers will take place in London in July. What effects do you think these talks will have on the EBRD's activity?

[Nemeth] The EBRD leadership has prepared proposals and documents for this meeting. In the course of their implementation, we want close cooperation with the World Bank, the IMF, and other international financial institutions. At the same time, we think that we have all the necessary qualities to carry out the desirable extensive coordination in East and Central Europe. It is too early to engage in forecasts on the expected decisions, because the summit will deal not only with problems in our region but also with issues that affect the economy of the most developed capitalist countries, including the future of Europe, which will cover such topics as recession, interest rates, and the common European currency. [passage omitted]

[Pinter] Your bank is preparing a strategic study on each country in this region, including Hungary. What are you examining?

[Nemeth] The first part of this study deals with a country's political situation, the state of its system of democratic institutions, and the assertion of human and civil rights there. The next chapter will evaluate each country's economic situation, achievements in creating a market economy, and economic, financial, and taxation policy efforts. The study will then evaluate our bank's strategy for each country and will formulate the priorities for the coming two years. These strategic studies will be repeated every two years. I would like everyone to clearly understand that the EBRD is not an aid institution and, therefore, the evaluations are prepared on the basis of criteria characteristic of international commercial financial institutions and banks; only in this way can the judgment of proposals coming from the member countries be successful. If anyone looks at the EBRD as a bank supporting certain general political and democratization efforts, he will be disappointed. What we are

doing is nothing but providing support for the creation of a market economy that would strengthen the system of political institutions, the pluralist regime, and a multi-party democracy, and we are doing this with different banking methods and means. Only those who submit their proposals by taking all of this into consideration can count on results. With its own means and proposals, our bank can contribute considerably to the acceleration of development processes in creating a market economy, privatization, in changing the structure of state enterprises, in strengthening the system of financial institutions, in energy management, in the area of infrastructure as a whole, as well as in environmental protection. It is in the interest of our bank and of the member country in question—its parliament, government, and any authority—to see to it that this process develops as precisely and quickly as possible. [passage omitted]

Foreign Policy Foundations Seen as Unstable

91EP05384 Warsaw POLITYKA in Polish No 22
Jun 91 p 11

[Article by Prof. Roman Kuzniar of the Ministry of International Affairs and the Institute of International Relations of the University of Warsaw: "Neither a Dowry nor Beauty": Polish Foreign Policy—Is This Something We Should Beat Our Chest About?"]

[Text] Recently a number of extremely critical articles appeared in which the government, the MSZ [Ministry of Foreign Affairs], and Foreign Minister Skubiszewski himself were blamed for incompetence and serious errors in foreign policy. Naturally, it is not the fact that critical articles are being written. It is very good that they are coming into being. We also need discussion on the principles and details concerning Polish foreign policy, particularly after so many years of unanimous silence (in official publications). This discussion attests to the authenticity of our diplomacy. Criticism proves that we finally have "our own" foreign policy. Unfortunately, in a considerable majority of cases, the authors of these unequivocally critical texts simplify things for themselves by setting up the opponent so as to be able to blame him more easily. This is based on the almost complete disregard for the recipients of our foreign policy. It is silently accepted that the international arena is for Poland, our close and distant neighbors are only plastic and gratefully await Walesa and Skubiszewski, who will then at will and with a so-called Polish *raison d'être* shape them. At the same time, quite frequently, these represent indifferent attitudes, almost unfriendly, and designed to neutralize our efforts and aspirations. Trivializing—one plays the game the way one's opponent allows. The overall international situation is undergoing some fundamental changes. We ourselves have something to do with them; however, these changes continue to have a rather superficial character. Of course, the East-West system has collapsed. The iron curtain, separating Europe almost physically has disappeared, and the communist bloc has also fallen. At the same time, however, it is necessary to recognize that it was much easier for communist governments to achieve "their" foreign policy goals in those times, even in relations with the West, than it is for the current government with "its" relations both toward the West and, understandably so, in relations with the East, or the Soviet Union.

The international arena continues to be very difficult for us

- The West remains a close-knit and hermetically sealed system of nations. Western politicians and diplomats do not question our contribution to improvement or the outright comfort of their security and international standing. They also realize, especially now what a difficult security and economic situation Poland and other countries in the region find themselves in. Nonetheless, they are in no hurry

to help us in bringing about fundamental changes in this state of affairs. The debt reduction concerns only Poland, but it is still not the Marshall Plan. On the contrary, they are carrying out against us both courteous and decisive tactics of scaring us away from Western international organizations. Unanimously accompanying these tactics is a unanimity with regard to the question of respect for legitimate Soviet security interests and support of the Soviet Union through whatever means so that it does not break apart. Alain Bescon admits that he is alone in his belief "that it is not chaos that is dangerous, but rather order.... The worst that can happen is the reconstruction of the Soviet Union." The characteristic aspect is that the Germans are taking the lead in the policy of discouragement and respect. Just look at Chancellor Kohl's views on the aspirations of the Baltic states

- "The Europe of 12" has chosen a variant for escape to the front away from the "East European orphans." Prior to discussions concerning EC membership almost everyone was optimistic. The negotiations proved to be thorny. The negotiations will continue for quite a while longer and will bring fewer results than expected. The concerns of the French milk producers take priority over the transformation of Poland. President Walesa does not disguise his irritation, when he says that: "We meet only with a lack of understanding and suspicion" (KZECZPOSPOLITA). A detailed approach also prevailed at the Strasbourg meeting with regard to full membership in the Council of Europe.
- The Atlantic Alliance fears like fire discussions concerning the possibility of extending its guarantees to Eastern and Central Europe; it would sooner extend it to the Middle East. Basically, our oil reserves are not very impressive. A visit to NATO headquarters by a Polish or Hungarian politician may disrupt the legitimate interests of the nuclear superpowers

This reminds us a little of beating one's head against a brick wall, or as President Walesa prefers to say "against a silver curtain." It appears that we are sentenced to roam through the wilderness of Central and Eastern Europe, which as we all well know reminds us of a mine field put there by the dramatic deeds of the nations of this region. We should not forget that the mines were put there by the outside world: Trianon, Rapallo, Munich, the Ribbentrop-Molotov Nonaggression Pact, and Yalta—whose deeds are these? These anachronistic nationalistic aspirations of the Lithuanians, Hungarians, or Romanians are now spoken of reluctantly in the ministries in Moscow, Berlin, and Paris. It is very easy to renounce responsibility for the past.

- A brighter spot in this picture is the participation of the United States in European affairs, and also in our region. We will see how enduring this is, furthermore the distance.
- The CSCE process gives us certain hopes. Its development, however, is marked by fluctuations. The CSCE formula can be useful, but only to a certain

degree and principally under good conditions. From our point of view, it is crucial in two areas: 1) regulation of armaments and disarmament under international supervision, as well as the means for building confidence, are very important with respect to Germany and to the Soviet Union, and 2) relations with our eastern neighbors, the CSCE as a system of rules and mechanisms determines certain limits for them, other allusions are not obvious.

- In the areas closest to us, to the north, east, and south of our borders, there is a lack of sensible reasons for optimism. To the south and east the situation is characterized by instability and unpredictability, which make it impossible to assume far-reaching subregional undertakings.
- The Warsaw-Budapest-Prague troika pact lacks the confidence that the development of cooperation among them is worthy of the West. The troika is preparing to "march on Europe." The suggestions of the West were not without influence on the Visegrad ascent. It is extremely difficult to find an area of practical and useful cooperation in the troika. The extemporaneous and superficial "high politics" is insufficient, but Poland cannot be blamed for the fact that it is temporizing.
- The Pentagonal Group represents an interesting initiative on the diplomatic level. As an architectural structure it was well thought out by the Italians. In order to make this concept work, however, substantial measures are needed. There are signs that the Hexagonal (with Poland) will not become what it was believed it would be. In each agreement there will be no substitute for already-existing organizations. Can we contribute something to this organization? As takers we will always remain in the background.
- The cooperation in the Baltic subregion is developing even slower. One feels the cold Scandinavian climate. The heterogeneous makeup of the participants and problems with the Baltics obscure the perspective and in this case it will be difficult to get past the ecology.

Since the general international situation does not appear rosy for us, perhaps someone will say that it is necessary to look after one's own interests with regard to bilateral relations. However, these matters appear less appealing.

Thus, bilateral relations are also frequently patterned after an old saying: "It would be most embarrassing if both partners were not willing at the same time." This happens when both partners are brought together by mutual interests, when they are mutually attracted to each other, and each one of them has something to contribute to the relationship. In our current situation we have neither a dowry nor beauty.

Let us look at the key issues in our relations with Germany. A new standard in these relations results, among other things, from the fact that Germany has become a world power. World power status is an objective phenomenon. Our mutual contacts cease being relations between a former aggressor and its former victim, which represented a historical burden and a guilt

complex for the Germans, while for us, on the other hand, the comfort of moral superiority and pretence. Our contacts are becoming relations between a weaker and poorer state, comparatively backward, and a neighbor who is a dynamic and modern world power; relations between a poor and sick one and a wealthy and healthy one, with all the consequences of this relationship.

I have written (in *TYGODNIK SOLIDARNOSCI*) that I consider the thesis "to Europe through Germany" as politically flawed. This, however, does not concern slogans, nor the lessening of the meaning of Germany for Poland's cultural rebirth and its international status. It is not only Helmut Kohl, Hans-Dietrich Genscher, or President Weizsaecker who decide Germany's attitude toward our nation. We should not close our eyes to certain things. It is obvious what Germany's view is toward expanding NATO security guarantees toward Poland, and with regard toward debt reduction (on the Rhine it has been forgotten how many debts the Germans were forgiven and how generously they were treated by the Marshall Plan), etc.

No one insists that some mistakes were not made in the policy toward Germany, but we have every reason to blow on a cold fire. In a situation such as ours there is no simple, compact, and correct recipe for harmony concerning relations with Germany.

To an even greater degree this concerns our eastern neighbor (our neighbors). The Soviet Union is becoming less governable. On the other hand, the people (the nationalities) have entered a state of autonomy. In the approach to this sick and tottering giant there is no intelligent alternative even in the West. After all, it is not the French who represent one of the minorities, it is not the British who lost vast amounts of territory and property, and it is not the Italians who share a border with this world power. The Americans are not economically dependent upon them, and finally it is not from Germany that the Soviet Army refuses to withdraw. For all of them and for many others the matter is simple, and that is to keep Gorbachev in power and preserve the Soviet Union as a whole. This aforementioned decision does not represent resentments but rather facts. General Dubynin's escapades demonstrate that the mentality of the "Ambassador Governor-General," in Ambassador Yuriy Kashlev's words, is not yet the past. There are still many more problems.

Up until the time Gorbachev came to power, relations between the USSR and Central Europe were based on the relationship of sovereign to vassal. The late 1980's brought an end to this. For now, however, Moscow has not been able to develop alternatives to a policy, which has diverged from the future. We wonder if in reality we actually tried to outpace the processes which are now maturing there and are not of a unidirectional character. But we must also look for trump cards in our own game.

Poland, which fought so hard for the right to self-determination cannot be completely indifferent to similar aspirations by other nationalities. What if these nationalities turn against us once they achieve self-determination? For example, what about the territorial issues put forth by Belorussia? It is easy to make up formulas on paper. Among the proposals suggested was this one: that we must extricate ourselves from this dilemma—the Soviet Union or Germany (as a matter of fact, Poland is guilty because these two have been able to come to a perfect agreement with regard to force withdrawal). This is perhaps the first time in history for Europeanization of our status.

We signed a treaty with France. Careful analysis of the foreign policy of this nation requires caution and not giving in to illusions; it is better to spare oneself the disappointment. Treaties and diplomacy are necessary but insufficient for permanent and substantial relations. For quite some time, the French press has been writing that France's primary partner is Czechoslovakia and President Havel. We must differentiate between the status of relations and their substance.

This perfunctory tour d'horizon indicates that the ground that Polish foreign policy treads on is very rocky.

Shock, emotions, and prejudices, frequently attributed to our diplomatic corps, have little to do with reality. On the other hand, we can say that "it is not serious." Few things in this country have as solid a base as our fears or resentment toward our neighbors. Demands are made for understanding with regard to the Kremlin, but this understanding is not there for the Lithuanians or Poles. Who caused the sorrows and dramatic events in the East European countries during this century? These are recent occurrences. Still living are the people who were robbed and driven out, also living are the families of those murdered or sent to labor camps whose fate was death. We cannot disregard these basic moral feelings. For example, Eduard Sheverdnadze understands this when he says, "Our suspicions are justifiable since painful events remain in the minds of people, and only time can change this" (interview with GAZETA WYBORCZA). Our critics do not want to understand this. We do not wish to build upon resentments but we cannot forget about the past. All the more so since for the other side, the powerful one, it should be easier to demonstrate that this past will never be repeated.

Thus, we are treated a bit like a client who is sometimes able to obtain credit, but you cannot do business with him on a regular basis. We are also beginning to be renowned for our miserliness with regard to organizing international conferences, meetings, and permanent institutions from which political dividends can frequently be obtained. Let us just look at Hungary or Czechoslovakia.

Some, against this background can we evaluate the results of Polish foreign policy, its goals, direction, and achievements. It is always possible to do so, nothing another way

, but will it be better? No intelligent person will deny that mistakes and weaknesses exist, but there is no political realm in the world where this does not occur. On the other hand, the resistance of matter is greatest in foreign policy. There remains certain caution in these weaknesses.

It is necessary to share the views previously expressed in POLITYKA (No. 9/91): "The current government does not have a strategist; foreign policy, however, does have a conscientious and careful executor." A strategy must be present in addition to policy, current reaction, and accomplishment of issues. How are we to carry out an accurate assessment regarding opportunities if we do not have an analytical research base for comparison of actual experiences. We can sometimes form an opinion and not feel the need to have such a base.

What should be the level of the diplomatic corps if barriers exist within the MSZ (the department director earns less than an MZK [Municipal Transportation Enterprise] driver, and a section chief earns less than a young sales clerk). After all, it is not diplomacy which will make us a valued partner in the international game. Too much faith is placed in agreements and treaties in the classic diplomatic service, a descendant of the League of Nations. For sovereignty to cease being an empty formula, it should possess a healthy economy, an efficient political system, and a modern citizenry. Poland also needs a strategy in addition to its current policy.

Profile of Supreme Administrative Court; Cases

91EP0541A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 22 May 91 p VII

[Article by Danuta Frey: "A Year at the Supreme Administrative Court: Rulings Are Pronounced in Empty Courtrooms"]

[Text] At this court there is hardly any audience, as a rule. Prosecutors and attorneys rarely show up there. Sometimes even the interested parties are absent, and then the trial records contain the laconic notation: "The parties were not present," and rulings are pronounced in empty courtrooms.

This seems to stand in glaring contradiction to the fact that it is precisely at this court that verdicts are pronounced on matters which affect substantially our concept of the efficiency of the state and its citizens. At the building on Jasna Street in Warsaw, which houses the Supreme Administrative Court, and at its six field branches, in Gdansk, Katowice, Krakow, Lublin, Poznan, and Wroclaw, the fate of both individuals and communities such as gminas, voivodships, and workforces, is determined.

The rulings of the Supreme Administrative Court, which still remain relatively unknown, formulate important general principles. For example, a single legal act issued by an office of the state administration may not be the

basis for an administrative decision, the administrative office must take into consideration not only the pertinent laws and implementing regulations but also the principles of the Constitution of the Polish Republic, and particularly the principle of equal treatment before the law; arbitrary differentiation among citizens according to their social standing, views, or beliefs, is inadmissible; equal treatment before the law requires that the administrative office states explicitly its criteria on resolving a matter and notifies the interested parties about these criteria; vague phrasing such as "the interests of the national economy" or "weighty reasons" should every time be accompanied by a detailed rationale and be subject to thorough monitoring by the Supreme Administrative Court.

It is precisely such principles and interpretations, developed in the course of 10 years of existence of the Supreme Administrative Court, that have been reflected in its rulings also in 1990. Now that it has entered upon the 11th year of its existence, it is worth noting that last year differed markedly from the preceding years. That is because the legislative changes accompanying the institutional changes in the state have become reflected in the work of the Supreme Administrative Court. For example, it now distinguishes between the general government administration and local government administration. In May 1990 another significant event took place: the powers of the Supreme Administrative Court were broadened by introducing the so-called general clause—which, in principle, subjects to the court's control all administrative acts with only a few exceptions such as matters relating to national defense, other than internal affairs or passport matters—along with the suitability of certain rulings issued as part of general administrative proceedings as well as of executive proceedings in administration.

Months in a Drawer

Even so, the number of cases considered by the Supreme Administrative Court, which during 1988-89 hovered at 14,000 a year, has quite unexpectedly dropped to 12,504. This decline is attributable to a changed sociopolitical atmosphere, different institutional conditions, and the discarding or marked loosening of the corset of all kinds of prohibitions and constraints. But that is only one side of the coin. All legal changes are reflected in the court only after the elapse of some time, a kind of delay effect operates here. It also is said that there is a considerable number of unexamined cases, pigeonholed at the appellate offices of the general government administration (at the voivodship level) and the local government administration (local government dietines). Although dossiers of cases are supposed to reach the Supreme Administrative Court within 30 days after a complaint is filed, some offices pigeonhole them for many months. Thus, for example, the Housing Section of the Warsaw Municipality transmitted to the Supreme Administrative Court a complaint addressed thereto through its mediation after...10 months from the date the complaint was filed! For the Treasury Office at Siedlce this took 13 months;

for the chief voivodship architect in Lublin, seven months; and for the director of the Communal and Housing Management Department in Radom, six months.

These instances are unfortunately not isolated and they demonstrate that the reform of the administration has not at all resulted in eliminating its deficiencies—in personnel, too—or its bureaucratic leanings and the tendency to treat petitioners lackadaisically, and, further, that most of the so-called objective and subjective problems of its performance have not been eliminated.

In addition to private citizens, who account for most of the complainants to the Supreme Administrative Court (81 percent last year), other kinds of complainants have begun to appear from joint-stock companies, enterprises, cooperatives, and other organizational units. The broadly proclaimed principle of free enterprise has resulted in the growth of the scope and often also importance of the cases brought before the court. In more than one case many millions of zlotys have been at stake (recently, for example, this newspaper published a report on a trial concerning 3 billion zlotys in unauthorized wage increases. By now judicial rulings are beginning to decide not only problems of individuals but also the future of enterprise workforces. Customs or tax cases concern expensive imported equipment and merchandise, while local government cases involve resolving disputes concerning the population of an entire gmina or a voivodship.

Thus, if the rulings pronounced by the Supreme Administrative Court are viewed through this prism alone, it can be clearly seen that the importance of this court has greatly increased with respect to domains greatly transcending narrowly interpreted administrative practices.

What the Complaints Are About

As in the preceding years, last year, too, the complaints received by the Supreme Administrative Court most often concerned the administrative acts of local state agencies, but at the same time the proportion of complaints about the rulings of central and superior authorities increased to 16.6 percent.

Most of the complaints concern housing and municipal services. The catastrophic housing situation prevailing for many years is reflected in complaints about refusal to allocate housing or substitute premises or prolonged delays of eviction. Other complaints pertained to the soaring housing rents, especially those charged for plant housing, and the exchange of dwellings in private buildings.

The next most numerous group of complaints concerned tax matters: assessments of all kind of taxes, forms of taxation, refusals to grant tax exemptions, frequent changes in regulations, substantial delays in publishing the regulations or the decision to make them retroactive, and unauthorized wage increases.

Complaints about construction increased markedly in number. In many cases the complaints concerned rulings prohibiting the erection of a house on a person's own land plot because that would conflict with the local land use plan, although often such plans were obsolete and failed to consider the needs of the local inhabitants.

The opening of Poland's borders and the toleration of free enterprise, as regards imports and exports also, has made customs problems more important. The related complaints concerned chiefly duty assessments.

But new kinds of cases have also appeared on the court's agenda, e.g., the first complaints regarding compulsory military service, and chiefly concerning the related deferments. During the second half of the year complaints concerning local governments began to be filed, chiefly with the Poznan and Wroclaw branches of the Superior Administrative Court. The unemployed began to file complaints about refusals to grant unemployment benefits, about discharges from work owing to the reorganization of the offices of the state administration, and about discharges of appointive employees.

Without Counsels for the Prosecution and for the Defense

The agenda of the Supreme Administrative Court thus reflected a cross section of the most topical problems of the Polish economic and social reality of 1990. Only every third of all these complaints was considered by the court. Relatively speaking, this is a very high proportion, and for claims concerning the central and superior state authorities it was even higher, 35.4 percent. Likewise the court considered a higher-than-average proportion of claims concerning: construction, public roads, transportation and communications (53.8 percent); geology, geodesics, and cartography, water management, land use and management (51.1 percent), and expropriation of real estate (nearly 50 percent). Higher proportions of claims were considered for certain voivodships, too, especially for the Warsaw (46.9 percent), Bydgoszcz, Konin, Pila, Skierniewice, Slupsk, and Walbrzych voivodships.

The reason for the court's waivers or invalidations of the questioned administrative decisions—which in some cases concerned every second decision—has been violations of the regulations governing administrative proceedings and substantive civil law. The former violations were in most cases due to failure to adhere to the prescribed hearing of evidence and especially to the manner in which evidence was examined. There were numerous instances of breach of the principle of equal treatment before law and active involvement of both parties in the proceedings. Certain administrative decisions lacked a correct factual rationale or, that also being the case, the circumstances indicated contradicted the evidence gathered.

The principal cause of the violations of substantive civil law has been its erroneous interpretations, due to, among

other things, vagueness and frequent changes of regulations and insufficient professional training of some administrative employees. The participation of employee services in the administrative proceedings under way has been negligible if any.

Moreover, as found for a large number of complaints received by the Supreme Administrative Court, administrative proceedings proceed at a snail's pace, sometimes glaringly so. Complaints about inertia are flowing in. Furthermore, as in the past, the dossiers received by the court are incomplete, disordered, lack some of the evidence, and fail to properly document the trial activities.

Last year representatives of administrative offices were present in the courtroom only in 39 percent of the cases brought to trial; attorneys for the prosecution, in 17 percent of cases, and attorneys for the defense, in 17.7 percent; this last figure is even lower, 7.4 percent, for the Katowice branch of the Supreme Administrative Court, and 9.2 percent for the Wroclaw branch. In practical terms this means that either the services of the bar are too expensive to the average litigant or that persons pleading for assistance from the Supreme Administrative Court believe that they can dispense with lawyers. It may be that one other factor is also instrumental here, namely, viewing the Supreme Administrative Court as a court in charge of "complaints" and thus as an extension of administrative proceedings. Hence also, of a certainty, the numerous complaints about the bureaucracy and the administration's disregard of the interests of citizens, filed with the Supreme Administrative Court and resolved by the latter as an institution for complaints and motions.

Correcting Mistakes

The errors committed by the administration and its oft-observed feebleness of action, combined with the importance of its operating procedures to the interests of individual citizens and to the general social climate, enhance the importance of the rulings of the Supreme Administrative Court. Among last year's rulings mention should be made of those concerning the interpretation of regulations governing land use management (the Law on Land Use Management and Expropriation of Real Estate, which was repeatedly amended and revised by the rulings of the Constitutional Tribunal, is viewed as an extremely imperfect and highly dubious legal act); economic, agricultural, and tax matters, employment, and the activities of local governments. This concerns, among other things: rulings on fees for perpetual usufruct; transfer of farms in exchange for old-age pensions or annuities; changes in the procedure for the sales of land owned by the State Land Fund; decisions terminating labor relationship with appointive employees; refusals to grant unemployment benefits; an interpretation of the concept "services for the population" in connection with taxation in the form of a tax card, the correct interpretation of the concept "dutable value of

merchandise," etc. We have previously discussed in detail in RZECZPOSPOLITA some of these rulings.

The still relatively short period of existence of local governments has already engendered some problems and doubts. The Supreme Administrative Court has been receiving complaints about the rulings of the appeals collegiums attached to local government dietines, and complaints of gminas about the decisions of voivodes to invalidate the resolutions of gmina councils or gmina boards. Anyhow, the laws concerning local governments elicit all kinds of doubts among both judges and law scholars.

The rulings of the Supreme Administrative Court must thus not only affect the practical activities of administrative offices, including especially local-government offices, which operate under particularly difficult conditions. The lacunae and shortcomings of legislation should prompt a broader utilization of these rulings with the object of amending legal status as needed.

As regards minor legal acts, the matter is of course less complicated, because these can be amended rapidly, continuously as it were, after the Supreme Administrative Court points to their flaws. This has long been a practice of the court, and it is thought to be producing good results.

As regards broader laws, the rulings of the Supreme Court and the Constitutional Tribunal, elucidating doubts, filling the legal lacunae, and establishing uniform binding interpretations, may be a factor. It is to be deplored that, although the share of the Supreme Administrative Court in legislative work has grown, it still is not being consulted about all the newly proposed or amended legal acts, or, when it is so consulted, it is expected to issue an opinion within three, seven, or 14 days, even when the law drafts are extensive and require consideration by experts.

All the same, changes in laws sooner or later always get reflected in the casework of the Supreme Administrative Court. Already the statistics on the first few months of 1991 indicate that this year the court is likely to have a greater caseload than last year, and that the administrative decisions questioned before the Supreme Administrative Court will as a rule concern matters that are of great significance to public and individual interests, and hence also to the proper evolution of the relationship between the state and the citizen.

Canadian Economist Favors Balcerowicz Plan

91EP05454 Krakow GAZETA KRAKOWSKA in Polish
3 Jun 91 p 3

[Interview with Prof. Zbigniew Fallenbuchl, Canadian economist of Polish extraction and adviser to the Government of the Polish Republic, by Marcin Bochenek; place and date not given: "Even So, the Balcerowicz Plan"]

[Text] [Bochenek] Professor, Sir, do you consider the economic tack followed by Deputy Prime Minister Leszek Balcerowicz to be correct or do you think that it needs a substantial correction?

[Fallenbuchl] Lately I attended a session of the Economic Council in Warsaw and it is my firm belief that there is no other way out and Balcerowicz's policy must be continued. It may be complemented in some ways, but it cannot be changed.

Of course, some people cite the argument, consonant with Keynes's views, that in the absence of full employment and the presence of a recession a more liberal monetary policy should be pursued. But I believe that this would cause the growth of inflation rather than of output.

Last year, when demand declined, enterprises faced the need to explore export markets in the West, because the USSR market collapsed, the GDR ceased to exist, and the countries of the former CEMA experienced huge difficulties. This necessitates taking some action. Last year exports to the West soared by as much as 48 percent, reaching the record level of \$12 billion.

[Bochenek] The scarce-money policy is forcing enterprises to exert themselves and complicating the rules of the game. Is this where the heart of the reform is located?

[Fallenbuchl] Yes, the first instances of bankruptcy have already appeared; the enterprises concerned failed to adapt themselves. The Soviet market has collapsed. In the West a wait-and-see attitude predominates. Opportunities [for sales of Polish goods] should be explored elsewhere, not necessarily for the same goods.

[Bochenek] Leszek Balcerowicz is often accused of being a monetarist, an accountant, not a creator of instruments of reform. In your opinion, and in the opinion of experts whom you met abroad, do such instruments exist?

[Fallenbuchl] Monetarism is a term which has a very precise denotation but which economists employ very loosely, and it is even used as an imprecation. In my opinion, Balcerowicz has nothing in common with monetarism; he rather offers a modern approach consisting in the utilization of fiscal policy with the object of rescuing the economy from a deep morass.

Everybody says that factory output in Poland has declined because of Mr. Balcerowicz. Actually, however, the decline is due not to him but to the collapse of the Soviet market and the incredibly awful condition of our economy. We are undergoing a structural crisis. The structure built for more than 40 years is no good for anything. It is neither good for catching up with the West nor good for satisfying the domestic demand for consumer goods, nor is it even good for exporting to the East. As the English would say, it is a "white elephant."

[Bochenek] What if the reform had not been initiated?

[Fallenbuchl] Had the collapse of the Soviet economy coincided with the old planned-economy structure of Poland, something horrendous would have happened. Mile-long queues, idle factories.

[Bochenek] Is your opinion shared by other participants in the Economic Council's session?

[Fallenbuchl] Most of the Council's members believe that there is no alternative to the present policy, although it should be somewhat complemented.

[Bochenek] What complements were being discussed?

[Fallenbuchl] Undoubtedly a change in the orientation and conduct of enterprises should be considered, along with exports and reforming the structure of the economy. But I personally do not think it possible to decide what kind of structure it should be. It is impossible to declare that this industry should grow and that should not. Individual plants rather than entire industries should be considered.

[Bochenek] Is not economic thinking in Poland dominated by relics of the old way of reasoning, namely, by the belief that, although the economy is in principle a market one, planning is needed since, supposedly, the economy and the market are not governed by laws of economics and, therefore, we must engage in planning and present the related assumptions. There are too many of these assumptions.

[Fallenbuchl] In my opinion, you hit the bull's eye. Most economists have such leanings. To their thinking, it is a terrible thing that, in face of the collapse of everything, no planning is being done.

I do not preclude an industrial policy, but what matters most here is providing enterprises with the information and knowledge to which sometimes only the central government is privy. Second, loan assistance can be provided, though not to an industry which "should be developed," but to a company which is in the black. As for money-losing companies, no credit should be extended to them.

[Bochenek] What does our economy need now?

[Fallenbuchl] During the meeting Prime Minister Bielecki twice mentioned the need to establish a banking system. And indeed, this is a priority task.

[Bochenek] And the next steps?

[Fallenbuchl] The tax system. Budget revenues are shrinking, and this is linked to the banks. Yet, World Bank funds are available for a reform of banking. Why have not telecommunications been modernized? A decision is being put off, yet there is a shortage of telephones even.

[Bochenek] Professor, Sir, who is to "rule" at the enterprise?

[Fallenbuchl] Enterprises of the worker-government type can only be exceptions. On this question I differ very much from Sejm Deputy Bugaj. Such enterprises are no model for a market economy, because their managers fear the worker council. Try and imagine a military unit which takes a vote on whether to launch an attack. In the meantime they are taken prisoner or killed.

[Bochenek] Then there is the topical issue of unauthorized wage increases.

[Fallenbuchl] So much ink has been spilled on this topic. I am opposed to such increases. For they create a situation in which the state becomes a party to the negotiations, whereas it should merely be an arbiter of the conflict.

[Bochenek] But there is the social aspect of this problem: the stimulated consumerist aspirations.

[Fallenbuchl] Indeed, the matter is difficult, seen from that point of view. Employees will have to understand that it is not possible to pay them more.

[Bochenek] What do you expect of the Polish economy in the immediate future?

[Fallenbuchl] Everything depends on political stability. There is the danger that during the electoral campaign the contesting parties will vie with each other for making demagogic promises. In that case I expect a continued and grave collapse. If, however, Bielecki's [as published] policy can be continued, I view the future very optimistically.

[Bochenek] Thank you for the conversation.

Polish National Bank Restructuring Noted

Priorities To Be Addressed

91EP0544A Warsaw GAZETA BANKOWA in Polish
No 21, 26 May-1 Jun 91 pp 1, 16

[Article by Andrzej Olechowski: "Restructuring of Central Bank"]

[Text] The Polish National Bank is being restructured. The improvement in efficiency of its operations, in all of banking and the economy, will depend in large measure on the speed and the quality of the changes being made in it.

The recent change in the position of the chairman of the Polish National Bank [NBP] produced a sense of anxiety. The head of the central bank, therefore a personage of substance, left for political reasons. His departure was not accompanied by a discussion on the subject of monetary policy, the state of the NBP, or the banking sector. Actually, there was no discussion at all—news of the change in NBP leadership hardly made the third or fourth pages of the newspapers. This is another reason for the anxiety—the minor importance of the central bank to public opinion.

That is why, in the program of essential changes, I give highest priority to the growth of independence and importance of the central bank. I give second priority to the need, by NBP, to free itself of the tasks which conflict with its basic function of a central bank, or in overloading it, draw it away from this function by absorbing its attention and strength. The third point on the agenda of reform is action on behalf of quick—much too slow today—building of a financial market.

NBP's Independence and Position

In an efficient, competitive market economy, inflation can be initiated only by an external shock or political pressure. We cannot counteract the rise of import prices due to external events. We can only adjust, easily or badly, to their new level. We can, however, counteract political pressures and not permit them to cause price increases due to a budget deficit, protectionism, toleration of monopolies, etc. The institution which warns against the inflationary effects of political demands, and, as much as it is able to, neutralizes the inflationary effects of decisions, is the central bank.

In a well-organized state, its only task is to ensure the constant value of the national currency. This explicit definition of the central bank's role means that it should be completely independent of the political authorities and, as distinct from other public institutions, be exempt from electoral approval, so fundamental to a democracy, and be evaluated only on its merits. Most countries now perceive the need for independence, including the EEC countries, which are planning a central bank entirely separate from political institutions. In our practice, too, a step has been taken on this road, partially in the wrong direction, making the bank independent of the government and subordinating it to the Sejm. Under the previous system this was correct, because the government was more susceptible to changing political pressures than the Sejm. Today, when the government and parliament are "politicizing themselves" and their terms of office are being made the same, it would be more correct to subordinate the bank to the most independent and permanent public institution, which is the president, and remove from it the requirement that monetary policy must be coordinated with the Sejm. This first demand is absent in the proposed amendment to the banking law, approved recently by the government.

The president, in turn, should ensure the bank's independence by appointing its head to a specific, suitably long (six to 10 year) term of office. A long term of office means that the selection of candidates will be particularly careful and that a change in the bank's presidency will be a significant event.

Institutional independence, of course, is not enough. A bank must also be independent in the operational sense. The first condition for this is financial independence. Today's NBP is a budget-type unit—the Sejm approves its expenditures and its receipts go into the State Budget. This leads to irrational situations when, in selecting

instruments of macroeconomic importance, the technical costs of their application are considered. The bank should have complete freedom in the selection of instruments and have its own money for operations and development. The second condition is maximum objectivity in decisionmaking. Arbitrary decisionmaking processes produce—and rightly so—demands for consultation, coordination, verification, and similarly the curtailment of independence. The bank should organize the making of decisions in such a way that their consideration and objectivity will not arouse any reservations.

First of all, the role of the NBP board must be changed. At present its members are appointed by the bank chairman, either independently, or in the case of deputy chairmen, by proposing candidates to the prime minister. The bank chairman's special position means that in practice he exercises a one-person management and the board serves him as an opinion-giving body. This state of affairs should be changed as quickly as possible, but not by the appointment of a council which gives its opinions to the bank chairman—which is what the amendment to the banking law proposes. Such an institution will be just another facade in the old style and not the kind of body we need—a body which will make joint decisions and take joint responsibility.

Just as the bank chairman, board members should be appointed for the specific term of the president, and the bank's bylaws should clearly define their rights to make decisions and to require that voting on all decisions made by the board be conducted openly and on the record.

It also seems to be advisable to set additional limits on the arbitrariness of decisions in the case of the two most important bank policies—the exchange rate and the interest rate. A good solution would be to create permanent committees (in the sense of composition and calendar of meetings)—a monetary committee and a currency-exchange committee, which would prepare drafts of board decisions, drafts with which it could not agree only in exceptional cases.

The third condition of operational independence is professionalism. In most countries, central banks have a huge statistical-analysis department and employ the best economists. This is not the case with NBP, unfortunately, which does not even do its own price research, to say nothing of analyses of family budgets, enterprise finances, or important forecasts of money demand. This must be changed immediately; 70 to 75 percent of the bank's staff should be made up of economists employed in research and analysis. Because there is a shortage in Poland of specialists of suitable caliber, the work program should be developed with the cooperation of foreign experts (such assistance is now being supplied to us by the Dutch central bank), and our own staff should be trained at the best universities (analysis and inference cannot be learned at summer courses). In order to employ and keep workers with the appropriate qualifications, the bank must offer better conditions than it

does today, when it pays three to five times less than commercial banks. A system should be developed (e.g., each year bringing the NBP pay schedules closer to corresponding remuneration in selected banks) which in a short time will "pull up" the salaries in NBP to a level which will allow it to compete on the labor market.

Finally, to be independent is not enough, there must be a perception of independence. In the economy a great deal depends on subjective evaluations and individual expectations. A statement from a credible, perceived as independent, central bank, an effective watchman of the value of money, may sometimes produce incomparably better results than costly intervention on the money market. Authority and credibility cannot be achieved overnight. Consistency and effectiveness must be demonstrated. Advertising, in the good sense of the word, is also necessary—educating the public, explaining particular actions, and creating awareness of conditions and effects. The bank cannot be as uncommunicative as it is today! In all important economic matters it must take a "high profile," take a position and explain its consequences for the interests of the consumer. It does no harm if these public statements conflict with what the government is doing. Such is precisely the nature of the relationship between these two institutions—they often have to quarrel.

Freedom From Unnecessary Tasks

Anyone making a full inventory of the tasks performed by NBP has to be dumbfounded. What does this bank not do—from setting monetary policy to servicing the office machines! Many of these duties are left over from the "monobank," some stem from a failure to understand the central bank's role, and some stem from mercenary motives, parochial interests, and "imperial" ambitions. It is particularly disturbing that NBP performs many tasks which are in obvious conflict with its basic function as a central bank. It should free itself of them in first order.

First of all, NBP must immediately discontinue the bank's commercial activities. It now maintains currency accounts for thousands of customers and performs the banking operations connected with them. This obviously conflicts with the role of the central bank, takes customers away from banks, and brings losses to NBP (it does not conduct any credit operations and therefore does not earn money on interest), and as a consequence, to public finances. Commercial activity (which constitutes a large amount) should be quickly separated and sold either to domestic or foreign investors in the form of a new bank (it could immediately have several branches), or to an already operating commercial bank. This is a task which is obvious and technically easy.

Second, the services offered by NBP to commercial banks should be greatly curtailed. Due to inconsistencies in the division of NBP, it furnishes a surprisingly large number of services to the commercial banks, from maintaining the accounts of branch banks and settling the

accounts between them, through the unreasonably dense network of augmenting branches providing domestic and foreign monetary seals and stamps, down to computer services, servicing of office machines, etc. Many of these services are free or below cost, which in practice constitutes a hidden subsidy to banks from public funds.

Above all, the maintenance of branch bank accounts should be discontinued and this service made available only to the central banks. This will produce, on the one hand, a desirable consolidation of bank accounts (and operations), and on the other hand it will greatly ease the load on NBP and improve its operations. The network of augmenting branches should also be reduced, which will force the banks to develop their own transport systems, reveal their actual costs, improve the efficiency of the branch network, and greatly reduce public expenditures for this purpose. Finally, technical services should be discontinued entirely and instead specialty companies should be established with the participation of banks and other partners. An example here might be the Bank Tele-Information Society, the NBP company, several banks, and an American firm which will take over NBP's computer center and the telecommunication network that it is building. NBP initially should be a shareholder in these companies, but after a certain time it should sell its shares to private investors.

Discontinuance of commercial banking and services to banks will throw some light on relations between the NBP and the commercial banks. They are now hazy, unclear, and one does not have to be an expert to be able to say that the central bank is living in too close a symbiosis with the commercial banks. This state of affairs should be changed as quickly as possible because it exposes the banking system to the charge that there is corruption and that cartels are being formed.

Elimination of excessive tasks will also make it possible to reduce the size of NBP to the correction proportions. It now employs approximately 9,000 people in the central office and 52 branches. Actually, to perform the tasks of the central bank, a network of a few, and at the most several, branches are needed and 1,500 to 2,500 employees. The buildings occupied by the NBP will immediately be bought by the commercial banks and most of the employees will not be without a job.

Everything points to the fact, therefore, that such a reorganization should be accomplished as quickly as possible.

Building a Financial Market

Financial relations with banks should quickly assume a market character. Today, aside from the arbitrary fixing of the interest rate on refinancing credit, these relations are based on the principle of requests and threats. On the one hand, the banks ask NBP for higher credit limits or facilitation of refinancing, and on the other hand NBP menacingly shakes a stick (but does not use it because

aside from removal of the chairman from his post, it has no other penalties) when the banks increase the credit too much.

Ultimately, NBP should simply be one of the participants in the money market, distinguishing itself only by its reliability and size of operation. The first step in this direction are auctions of NBP money certificates, which should, as soon as possible, be exempted from any kind of price limitations, and the price—which these auctions generate—of money, should be the most important prerequisite for the interest rate on the credit offered by the bank. Naturally, it is unthinkable that the turnover of certificates (and the next debt instruments issued by NBP) will be subject to any kind of compulsion, whether in regard to purchase or to sales. That would be a caricature of a money market and not an "unseen hand."

The second step in building a market would be the discontinuance of refinancing credit, which means that the bank will offer only discount credit and collateral credit. The third step would be the offering of other types of bank bonds and treasury securities.

Settlement of accounts in foreign exchange is another part of interbank transactions. Here, too, a market must be built as soon as possible. Right now nothing is happening in this area, which means that we cannot, in the foreseeable future, stop arbitrarily fixing the currency exchange rate. The first change might be to give banks permission to conduct foreign currency transactions among themselves at rates that they deem suitable. Next, they could offer their clients various rates. Finally, NBP could go to an exchange rate fixed at a level which balances demand with supply, if the macroeconomic situation permits, of course.

Other Tasks

In addition to these three priorities, I see a number of other tasks: reform in NBP bookkeeping, change in the archaic procedures for disseminating information and making decisions, improvement in the effectiveness of managing foreign reserves, change in organization structures, etc. But these I believe are less pressing and hence were not discussed in this article. Moreover, I do not see a place in the rebuilding program for actions to develop banking services, attract foreign capital and increase its absorptivity, formulate and finance developmental projects, etc. These are tasks for the government and it should concern itself with them.

Bank Chairman on Changes

91EP0544B Warsaw GAZETA BANKOWA in Polish
No 20, 19-25 May 91 pp 1, 7

[Interview with Grzegorz Wojtowicz, chairman of the Polish National Bank, by Alicja Kolodko; place and date not given: "Catching Up With Reality"—first paragraph is GAZETA BANKOWA introduction]

[Text] Let us begin with the reminder that the functioning of the banking system in Poland is regulated by two laws: the Law on Banking and the Law on the Polish National Bank [NBP], which is the statute of the central bank. Both laws were modified at the turn of 1989-90 and at that time those modifications were sufficient. Today more changes are needed, although work on the new, final form of the banking law and the statute is in a very advanced stage. According to Grzegorz Wojtowicz, the bank's chairman, it will be finished in the fall of this year. We will then have legal regulations to accommodate a market economy.

[Kolodko] In that case, can't we wait a couple of months for the new laws instead of issuing an amendment?

[Wojtowicz] We can't wait because the present regulations do not provide a legal basis for those processes which are already occurring in the banking system and those which we anticipate in the immediate future.

[Kolodko] And what kind of concrete processes can we expect in the immediate future?

[Wojtowicz] The present banking system is made up of the state banks, which includes the specialty banks, the nine commercial banks which were separated earlier from the NBP and PKO BP [Polish Savings Bank], and the rapidly expanding number of private banks. The commercial banks will soon be transformed into single-person State Treasury companies and then privatized. Such a possibility was embodied in the present regulations but there are no regulations pertaining to the structures of managements. And actual reform can only take place when both ownership rights and the system of management are changed. Otherwise we are dealing only with a reorganization. In this case, an amendment will state that the bank's organs are the Supervisory Council and a management board.

[Kolodko] Do you really believe that privatization of state banks is what our economy needs? Isn't there a fear that the modest internal capital will be drained by the sector which is doing quite well for itself in these times anyway?

[Wojtowicz] There is such a fear. That is why I do not insist that the privatization of state banks is indispensable. However, there is no doubt that a few banks should be transformed. First, so as to set the process itself in motion, and second, to gain the experience that will be useful in preparing a new banking law.

[Kolodko] Let us return to the amendments. Could you interpret the remaining important changes which will be the subject of discussion in the Sejm?

[Wojtowicz] The next extremely important change will affect private banks, i.e., licensing. On the basis of past—already two years—experience, we know that liberalization had a very favorable impact on the formation of new banks, but it also brought failures. There was no

provision in the regulations which would allow a determination of the ability of a new bank to conduct operations. In addition, the legality of using the names "bank" and "fund society" will be settled. And the last of these important amendments will pertain to the operations of banks which have foreign capital.

As for an interpretation of the proposed changes, I would describe them as an attempt to put the present regulations into order and adapt them to use. They are needed right now on the one hand, and on the other hand the proposed solutions would be used in the future law.

The banking system functions within certain institutional limits. It was created by the Bank Council, which played a positive role, as I see it, in the past. This was a place for meetings, consultations, and problem solving. Today the council in this form has already outlived itself. There are too many banks for all of them to be represented, and those that are, represent mainly their own interests.

[Kolodko] ...and the Economic Council will replace it?

[Wojtowicz] Yes, the Economic Council, which will include representatives of finance and banking, industry and trade, and the world of science. In my opinion, the council should become the nucleus of the future Supervisory Council, which the future statute of NBP will appoint. Until that time, we must learn, prove the solutions which are new to us, and the experience gained will help us in defining the statute of the future Supervisory Council.

[Kolodko] We must really become accustomed to the thought that in the future the central bank will be managed by a collegial organ with much wider representation than the chairman of NBP and the board. Certainly you have your own thoughts on the functioning of a Supervisory Council and the board of a central bank. How do you see this new structure of management?

[Wojtowicz] First of all, we must realize that the Supervisory Council cannot be a group of people who will meet in order to discuss something. This will be a managing organ which will designate the courses of action that the central bank will take over the long term and which will designate tasks for the board and the bank chairman. In countries which have a developed market economy, there are various systems of supervisory councils. In my opinion, we should use the American model insofar as the structural arrangement is concerned, and the German model for the functional arrangement. I see it like this: a 15-person council exists which is made of up a five-person group representing bank management, five representatives of finance and banking, and five persons directly connected with economic practice and science.

[Kolodko] Other proposals for changes in the law on NBP will be discussed in the Sejm. What kind of new solutions, in the opinion of the bank, should be applied?

[Wojtowicz] As a bank we put forth proposals pertaining to the shaping of instruments of monetary policy. For us, these are now the most important matters. Particularly the one that pertains to the establishing of mandatory reserves. Thus far, we are required to deal uniformly with all banks. Today this is not the right approach due to the differentiations in the banking system. Acceptance of our proposal would mean the the central bank would be able to deal differently with different groups of banks.

However, at the initiative of the government, changes in regulations were submitted which pertain to the term of office of the NBP chairman and the relationships among the NBP, the government, and the Sejm. These proposals are linked to the logic of the changes which are occurring in our country. In most Western countries, the governors of the central banks are elected for a specified term—from four to eight years. The government proposal speaks of a six-year term and is an attempt to correlate it with the term of the office of the president, who designates the chairman of NBP.

The determination of the mutual relationships among the central bank, the government, and the Sejm, is also an attempt to adapt to ongoing changes. The government proposal indicates that the central bank should consult the government on monetary policy. The point is that it should be consistent with economic policy, for which the government is responsible. However, the assumptions of monetary policy would be established by the chairman of NBP (in the future together with the Supervisory Council), who would submit a report to parliament.

[Kolodko] Does this mean a strengthening of the NBP chairman's position?

[Wojtowicz] I would not say that. In many countries we have to deal with "reporting." Sometimes this is done through the government, sometimes it is done directly, as is proposed here. I believe that this is a very good solution. Parliament not only listens to the report, it also expresses its opinion.

[Kolodko] It is very clear from these proposals for amendments that we are entering into territory unfamiliar to us. Not better, not worse, simply different. An Economic Council, then a Supervisory Council, controlling the activities of the the chairman, consultation with the Minister of Finance in order to act in accordance with economic policy; a report to parliament, which expresses its opinion.... What will the chairman of the central bank have to be guided by in making decisions?

[Wojtowicz] This is indeed a source of potential conflicts, but only potential. In practice, cooperation should proceed efficiently. Already now, I believe, certain habits of cooperation are beginning to appear which are not turning into conflicts. We must learn this, too.

The main task of the central bank, and thus also the Supervisory Council and the chairman, to put it simply,

is concern about money. Second, the bank should support government policy. Everything is in order when the first task is not in conflict with the second task.

[Kolodko] And if it is?

[Wojtowicz] We choose the first. But the decision will not be made by the chairman himself, but also by the Supervisory Council, which will perceive economic processes and monetary policy from a long-range view.

These are, for us, new forms of action and cooperation. For this reason too, it would be well if those regulations which are preparing us for the future, were accepted by the Sejm, so that we would have time, before we change the banking law and the law on NBP permanently, to become accustomed to the new rules and the new system of managing the central bank.

Industries With Falling Production Profiled

91EP05494 Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 25-26 May 91 p 11

[Article by Ada Kostrz-Kostecka: "Industry Giants Nearing Bankruptcy: The Deficit Spins Out of Control"]

[Text] It used to be said that the Polish coal industry is a money-maker. Coal mining came first, followed by the steel and power industries. But now it turns out that it is precisely these branches and subsectors that are pulling the economy downward.

In the first quarter of the year the fuel and power industry and transportation displayed the worst financial performance. According to the Central Office of Statistics the operating losses of the fuel and power industry for the first quarter reached the mindboggling figure of 2.2 trillion zlotys (Z), and for the second they were even worse—2.7 trillion. In both cases the financial results are net and the figures are rounded off.

The performance of transportation was chiefly affected by the operating losses of the railroads (22.2 trillion). The performance of the fuel and power industry was chiefly affected by the operating losses of the coal industry (nearly 21.2 trillion) and the power industry (21 trillion deficit). Subsidies helped little, accounting for about 15 percent of the revenues of both the railroads and coal mining.

Other branches of the socialized sector that turned out to be "money-losers" are communications, agricultural services, means of transportation, building materials industries, and, among the light industries, the leather industry. The communal economy too is operating at a loss.

The financial performance of the railroads was most handicapped (98.5 percent) by the tax on excess wages. The wage increases granted markedly exceeded the possibilities. Last April, to be sure, wages in transportation as a whole decreased by two percent compared with March (while decreasing by 0.9 percent for industry as a

whole), but at the same time the volume of both freight and passenger traffic on the railroads has continued to diminish. By now the volume of freight traffic is only one-half of what it had been in the late 1970's. During the same period employment decreased by only 11 percent.

The reality turns out to be even worse than the statistics. Tadeusz Kozak, deputy director general for economic affairs at the General Directorate of the Polish State Railroads (PKP) said that the PKP has not yet paid the 2.2 trillion tax on excess wage increases for 1990. After protracted negotiations the Treasury agreed to let the PKP pay it in two installments, by the end of September 1991 and by the end of June 1992. Where will the PKP get the money to pay it? No one knows. The PKP still continues to grant norm-exceeding wage increases, which mean that its tax debt continues to grow.

What economies are being planned? The PKP wants to cut its personnel by 42,500 by year end. Early this year it employed 332,000 persons, and by April 10,000 fewer. Negotiations with trade unions on the discharge procedure are continuing.

In addition, the PKP is reducing to one level its traditional four-level management system. Money-losing lines are to be eliminated to the tune of 650 km at present plus an additional 5,000 km, more or less, later—provided, of course, that the local governments concerned will agree.

In the coal industry the biggest burden on financial performance has been the dividend, 65 percent, followed by the turnover tax, about 30 percent.

Marian Turek, the director of the Sosnica Black Coal Mine in Gliwice made the same complaint: the mine cannot sustain the burden of the dividend, which last year amounted to Z30 billion compared with the mine's balance-sheet profit of Z12 billion thanks to rather radical conservation measures. Thus the missing Z18 billion had to be paid from the mine's liquid capital, which means that there will not be enough left to pay other creditors as well as suppliers.

The problems in the first few months of this year have been partly due to last year's problems. Once a month the mine had to pay Z3-Z5 billion in preterm interest. This year the dividend was paid upon once again ignoring the creditors. The mine was able to raise the price of coal by five percent owing to quality improvements. Outlays on equipment are rising at a faster rate. Another source of financial problems is the unpaid coal subsidies: last April the mine received only one-half of the subsidy promised by the government.

Sosnica is a medium-sized mine as regards potential and actual output. When calculating its charter capital, housing was reckoned among its assets, and it accounted

for one-fourth of these assets. But now this is a burdensome ballast which the mine is trying to get rid of, although it is aware that it is housing, in addition to high wages, that has always been attracting jobseekers to mine work.

Then there is the leather industry. Compared with the industry giants discussed above, its net profits minus Z2 billion seem puny. And yet, this is a classical market industry, which should be a money-maker. In many countries the manufacture of shoes, furcoats, and leather garments is a source of good income.

"The entire leather subsector is in a difficult situation," said Jan Szczygielski, director of Radoskor Radom Leather Industry Works. "This is due to the curtailment of exports to the USSR and the lack of domestic demand owing to the decline in consumer purchasing power and the competition from imported goods."

This last argument does not sound convincing: after all, were Polish shoes to be better and cheaper, they would be bought regardless of the situation.

The exports of footwear to the West have not been substantial and, given the exchange rate of the dollar in the past, they had been barely profitable. The devaluation of the zloty improved the situation somewhat, for Radoskor, too, which has in the past been selling abroad 20 to 30 percent of its output, of which 20 percent went to the West. What will this year be like? Who knows. Radoskor is frenetically looking for new customers in the West, viewing this as its sole opportunity for survival. In the first quarter it earned barely enough profits to pay the dividend.

Financial problems are besetting plants in various subsectors. The State Treasury has not certainly been making their life any easier, and besides the revenues of the State Budget consist of taxes on enterprises. Moreover, at many enterprises the idea of cost-efficient management was conceived definitely too late and the profits attained last year made for complacency so that new markets were not being explored. By now there may be no time left for conquering them.

Farm Improvements Decreasing, Apathy Increasing

91EP0549B Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 27 May 91 p 1

[Article by Edmund Szot: "Effects of Recession on Farming: Farming Is Losing Its Impetus"]

[Text] On a farm the factor that matters most is land. Its quality and extent as well as the availability of farm equipment are decisive to the success or failure of the farmer, and the cost level of farming in particular is unusually important. In that respect last year has been

hardly different from the preceding years, and in many respects it has been even worse. The pace of land reclamation work declined and there has been a downturn in the integration of fragmented land holding and in the scope of rural construction. Work on drafting legislation on land reclamation, protection of farmland and forest land, and farming equipment is slowing down. The only thing rising is the number of complaints, proposals, and appeals by former owners concerning the restitution of agricultural real estate and food processing plants.

The changes taking place in land management can in no way be depicted without resorting to statistics.

The overall area of farmland at present is 18,719,000 hectares, which means that since 1947 it has shrunk by 1,720,400 hectares (5.7 percent), of which last year by 7,100 hectares. Private farmers cultivate altogether 14,227,600 hectares, with the average farm (upward of 0.5 hectare in area) measuring 5.5 hectares in area, and farms of more than 10 hectares in area account for more than 50 percent of all farmland.

For the last few years the number of farms transferred to state's ownership in return for retirement pensions and annuities for their former owners has been dwindling, to 33,000 hectares last year from 95,000 hectares in 1987. On the other hand, the amount of farmland returned to the PFZ [State Land Reserve] by socialized farming has been rising.

The decline in the volume of the integration and exchange of scattered farm holdings is getting steeper. In 1988 that volume aggregated 66,100 hectares; a year later, 55,800 hectares, and last year only 49,000 hectares. Yet the annual needs for such integrative projects are estimated at 150,000 hectares. That is because in some regions of this country land plots measure as little as 4 m in width and 3 m in length. In these regions the loss of land due to fencing in and road building is enormous.

For last year planned land reclamation work totaled 148,500 hectares of farmland, but only 115,800 hectares were actually reclaimed.

Similarly, the extent of flood control and levee maintenance work has declined, and the preservation of special facilities has been neglected to an even greater extent.

Even the number of the farms connected to collective water intakes last year has decreased. We say "even," because it is precisely in the field of the installation of water supply systems that considerable activism has been recorded in the countryside. Last year 239 collective water intakes were built, with 44,935 farms connected to them (compared with 54,000 farms in 1988). By now 29.5 percent of all farms use collective water intakes and a similar proportion are connected to water mains, but more than 40 percent of all farms still draw their water from wells by hand.

The reason for the curtailment of rural construction is no longer—as in the past—shortages of building materials; the reason now is their high prices. Altogether, 60,300 farm buildings were erected last year, compared with 71,300 buildings, of which 29,100 were residential buildings, in 1988, and 34,400 in 1989.

The three-year plan for modernizing the power supply grid could not be fulfilled. This plan provided for modernizing 47,000 km of transmission lines, but only 67 percent could be fulfilled, of which 10,800 km last year. The reason: the gminas have no money.

We have recently reported about the telephone system. Consider that last year 51,267 new subscribers were gained. Next to water and gas supply, the availability of telephones is a factor in still somehow preventing the countryside from lapsing into lethargy, and in stimulating its readiness to work for the nation. Similarly, only 2.5 percent of the farms get their gas from pipelines, with the remainder getting it in the form of liquid gas from cylinders.

At the same time, the number of complaints received by the Land Management Department has increased by as

much as 60 percent. Among other things, 373 of these complaints concern the restitution of [expropriated] plants and service establishments (chiefly flour mills), and as many as 7,000 concern the restitution of [expropriated] agricultural real estate. An additional 3,000 petitions on this matter have been filed with the voivodes.

The figures presented above demonstrate that farmers respond to the worsening of farming conditions and the growing recession by becoming more passive. They show no interest in modernizing their farms, of a certainty also in view of the misery around them. The government is not making any special efforts to improve rural infrastructure, and the funds available for agricultural restructuring are negligible. Farming is expected to reduce its production cost at a time of special difficulty to it. Unless the agrarian structure is changed, this expectation is unrealistic, and the changes are hardly likely because alternative sources of employment cannot be found. A dispossessed farmer remains...a farmer, except that now he has no land of his own. In view of this it is hardly surprising that farmers cling to their land.

Croatian Intelligence Monitors JNA Activities
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[Editorial Report] Belgrade BORBA in Serbo-Croatian on 21 June on page 11 publishes an article under the heading "Code Name Lipa Keeps an Eye on the Carabinieri." The author, V. Kasic, states that the Croatian Ministry of Interior [MUP] is the coordinator of activities against the Yugoslav People's Army [JNA]. According to Kasic, the MUP is acting on the premise that information should be gathered on the JNA as a potential opponent of the "young Croatian democracy" and that it should be used to undermine and ultimately destroy its integrity. Together with the Croatian Ministry of Defense, the Croatian Democratic Community

[HDZ], and the surveillance and intelligence centers throughout Croatia, the MUP carries out the operation under the code name "Linden" [Lipa]. The operation was initiated in October 1990 and it includes constant surveillance of JNA activities in Croatia. The information collected on the JNA is sent to HDZ headquarters in Zagreb, where it is updated every half hour and forwarded to the Croatian MUP. Kasic also adds that the reorganization of the Croatian MUP on 19 April resulted in a change of the name of the State Security Service into the Council for the Protection of the Constitutional Order. This Council has also expanded its intelligence activities outside of Croatia, specifically to Italy, where it is monitoring the activities of the Carabinieri.

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